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CZECHOSLOVAKIA

Long-Term Social, Economic Forecast Summarized

90EC0095A Prague NOVA MYSL in Czech
No 10, 1989 pp 20-29

[Article by Valtr Komarek: "Re Prospects for the CSSR"]

[Text] The summary long-term forecast for the Czechoslovak economy and society turned toward the year 2010¹ which was prepared by our institute in collaboration with a number of research institutions and in discussions with experts and authorities in the area of economic policy and politics, was assembled over a period of roughly five years. Late last year it was on the agenda of the CC CPCZ economic commission, subsequently also of the commission for research and development and the social affairs commission; discussions of selected problems of the forecast on the top official level have continued into this year. At the same time a very broad debate accompanied the forecast.

What may be regarded as the key and pivotal point of the Summary Long-Term Forecast is the closely argued conclusion, based on an analysis of the current state of the Czechoslovak economy, about the objective prospects for a new ascent of the country. The argument draws upon several basic facts. In the first place, already in the beginning of work on the Summary Forecast it was possible to state that at present the CSSR produces a relatively very broad social product the value of which, calculated in comparable prices and per capita of population, puts us (in comparison with OECD countries) behind Italy, Belgium and Austria but ahead of Spain, Ireland, Greece and others. However, the creation and market application of this social product is marked by rather poor effectiveness and imbalance, so that its final use, while ensuring a quantitatively high material standard of consumption, on the whole does not meet the need for a harmonious advance in the living standards at the given level of development.

As regards the overall volume of the social product, the statistics showing a value of 1,614,734 million korunas for 1987, of which 1,027,678 million korunas was consumed in production, 587,056 million represented national income created and 569,847 million korunas the national income used—do not tell us very much. We have a similar problem comparing with the final year of the First Republic, that is, 1937, when the 1987/1937 statistical index shows a tremendous leap of 1,614.7 percent in the social product, 676 percent in the national income created and a 627 percent rise per capita. These statistical data are diluted by a significant rise in prices. If we amend them by data based on the physical increase in specific main products, we get a reduced but still respectable picture of the growth in Czechoslovak production during the entire period of socialist construction.

In the three decades between 1948 and 1978 the industrialization process reached and ultimately passed its zenith. But it still exerted influence in the new wave of investments started in the fifth Five-Year Plan. Enormous production increases were obtained in most of the important industries and branches, as well as in key products of a classic industrial character such as electric power (from approx. 7 to 70 billion KWH), both bituminous and brown coal (from approx. 40 to 120 million tons), steel (from 2.6 to 15.2 million tons), plastics (from zero to 812,000 tons), nitrous fertilizers (from 29 to 625 thousand tons), cement (from 1.6 to 10.2 million tons), cotton cloth (from 263 to 543 million meters), footwear (from 64 to 129 million pairs), beer (from 816 to 2,206 million liters), and so on.

Thus the growth in the physical volume of the CSSR's industrial output during the first three postwar decades was about 2.5-3 times faster than in most industrially advanced countries according to official statistics, and about 1.5 to 2 times faster according to the corrected index. If we compare, in a representative sample of 15 key industrial products (including the entire capacity of the engineering industry rated as a single item), our production per capita with other industrially advanced countries, then we come out first in seven cases, second in two, and once in the third place.

In sum it can be concluded that in per capita terms we have at our disposal a relatively very large conventional industrial potential. Of course one cannot derive from this conclusions about the country's overall potential and its international standing. That involves first of all the modernity and structure of industry, its efficiency and ultimate economic results. The hypertrophy of heavy industries creates an excessive internal market for capital goods permanently tied up with rather ineffective high accumulation, amortization, as well as the total of resources consumed in production within its internal circulation. The present economic mechanism and the overwhelming orientation toward what are still the less demanding markets both foreign and domestic lead to a tendency to "produce for production," "invest for investment," "export for exports," and "import for imports"—when goods are produced for stockpiles and idle inventories without contributing to the economy's effective growth, when goods are exported at unfavorable process and on extensive credit without much hope for repayment, when goods are imported for the purpose of meeting the agreed-on volume, when investments are made in the replacement of capital goods most of which remain unutilized. All this naturally worsens the relationship between the industrial potential and the overall economic potential of the country.

Expansion of the quantitative aspects of production characterizes also other important sectors of the national economy. It is in the first place the agriculture the development of which of course lagged far behind industrial growth during the industrialization period. Owing to certain errors in economic policy in general and farm policy in particular, by 1965 we had not reclaimed

prewar levels in overall output, hectare yields of most crops, or cost effectiveness parameters in livestock production. Since the mid-1960's substantial support was allocated to the development of agriculture, but again with priority emphasis on production quantity. In its present state, judged by per capita output of its main products, the capital asset ratio, use of fertilizers, etc., Czechoslovak agriculture represents a very strong complex in international comparison.² Similarly, the Czechoslovak construction industry represents a very strong complex in international comparison by virtue of its overall size in the number of employees, the volume of processed materials and availability of heavy equipment.³ More complicated is the situation in services and the overall infrastructure. Apart from grave internal discordances one cannot overlook the fact that here too certain important sectors have acquired extraordinary quantitative dimensions. This is in the first place the transportation sector. CSSR railroad transport, in the density of its net and the annual volume of ton/kilometers carried, quite clearly occupies the first place in comparison with West European countries.⁴ A similar situation obtains with regard to the density of the road net and number of passengers carried. In general one cannot underrate the overall CSSR infrastructure with its characteristic high density of settlement and traditional services uniformly covering the entire territory. We have to include here also the total dimension of the housing stock and public buildings, the cultural-educational and health service base, the historical landmarks and the like, even though these are affected by a pronounced lag in overdue maintenance and need for renovations.

Thus one may summarize that by virtue of the attained level of development of the entire national economy, its production potential and the attendant indices of the overall level of education, qualification, cultural achievement and other assets of the Czech and Slovak population constituting the national wealth in its broadest sense, Czechoslovakia even today belongs among the economically advanced countries of the world. But if the relative size of the production base and the overall creation of social product including that consumed in production ranks us with the world's leaders, the product that is used effectively ranks us far behind those at the top.

As a consequence of structural deformations the creation of social product presently requires extraordinarily large basic economic inputs. Above all, it is energy.

At present the CSSR consumes annually about 110 million tons of heat value fuels, which converted into joules according to the 1987 statistical data represented a total of 3,210 petajoules, or 190 gigajoules per capita as against 95 to 120 gigajoules in energy-conserving advanced countries such as Italy (96 GJ in 1985), Japan (109 GJ per capita), Austria (116 GJ per capita), France (118 GJ per capita). Data for energy high-consumers among advanced countries oscillate around an average of 150 GJ per capita (1985) such as Belgium's 147 GJ,

Sweden's 145 GJ, Great Britain's 144 GJ. In the whole world only the USA and Canada rank before the CSSR due to their traditionally lavish standards in fuel consumption, especially in connection with their high rate of automobile ownership among the population. Moreover, unlike most West European countries the CSSR obtains these resources primarily by domestic, unusually extensive mining of coal.

A similar situation obtains in regard to the basic construction and building materials, i.e., ferrous metals, plastics, lumber (board and sheet) and cement.

In relative terms the CSSR's production and consumption of steel is the highest in the world. In 1987 Czechoslovakia's steel output amounted to 992 kg per capita and consumption to 717 kg per capita, which is about two to four times as much as in most advanced capitalist countries. For a complete picture let us note that steel production in these countries shows a strongly declining trend since the beginning of the 1970's, even though with variations due to the business cycle and temporary partial increases such as for instance last year.

As far as plastics are concerned, Czechoslovak output of 75 kg per capita tops France's 55 kg, Italy's 47 kg, Great Britain's 12 kg, Japan's 60 kg and the USA's 69 kg (data for 1986); however, some countries exceed our production (the Netherlands, Belgium, the German Federal Republic).

In cement production Czechoslovakia's 665 kg per capita is ahead (mostly a good deal ahead) of all advanced capitalist states with only one exception; most produce only a half or less (Denmark, 396 kg; Finland, 256 kg; the Netherlands, 213 kg; Great Britain, 236 kg, the USA, 294 kg).

An analysis of the overall production input would have to be supplemented to include other materials from non-ferrous metallurgy (aluminum, copper, nickel, etc.), engineering metallurgy (grey cast iron) etc., but here too Czechoslovak consumption is not small, or rather not small enough to permit compensation for the mammoth consumption of ferrous metals.

It is difficult to quantify the varied burden on the overall social product due to this consumption going into production. From occasional or partial information, such as the special inquiry by the European Economic Commission according to the Leontieff tables one might conclude, with due account for the different methodologies, that the share of consumption going into production of the gross domestic product in selected advanced countries ranges in the vicinity of 35 percent, as against about 55 percent in our country. This would mean a difference of about 160 billion korunas in our disfavor. Calculations by our institute support this estimate, because for instance the difference in relative consumption of standard fuel equivalent from the most energy-conserving advanced countries of about 50 million tons means 50 billion korunas (while incurring further considerable ecological cost); a difference in the consumption of

ferrous metals amounting up to 5 million tons can be reckoned as being around 25 billion korunas, to which one has to add other differences stemming from inefficient production, consumption of heavy chemicals, non-ferrous metals, panels, cement, and the like. This alone offers a prospect for raising present-day personal consumption by nearly one-half. Another basic input into the creation of our social product, swollen inordinately in connection with the warped structure and mechanism of the economy, is represented by the labor force.

The number of employed in our country presently hovers around 8 million—more precisely, 7,754,000 without apprentices, helping family members and women on maternity leave in 1987; this represents 51.5 percent of the total population. In the advanced countries of the capitalist world the proportion often is much lower. The share of employed population ranges there around 35-36 percent; it is markedly higher only in Finland—nearly 50 percent, in Sweden as much as 51 percent, in Japan 48 percent and in the USA, 45 percent. This means that for us an appropriate employment figure should be between 5.5 and 7.5 million persons, considering that the gross domestic product per capita in all the above-cited countries is markedly higher than in the CSSR: in Sweden, Japan and the USA by two-thirds up to twofold, so that the comparable labor input per unit of net production is more than double in our country. In other words, our overall labor productivity is one-half of that shown by the world's leaders. Yet the real number of hours worked claimed for the average employee is in many of the countries we are comparing with rather markedly lower than in the CSSR—by 100 up to 300 hours annually. In some comparisons we lag in the average length of vacations (by 5 to 15 days), in providing reduced-time work assignment especially for women and older age brackets (in our whole economy it is 3 percent, for women, 6 percent; while for instance it is 23.5 percent in Sweden, of which 42.8 is offered to women; in Great Britain, 21.2 percent of which 44.9 percent for women; in Norway, 28.1 percent and 51.3 percent for women; in the Netherlands, 24 percent and 54.2 percent for women; in the German Federal Republic, 12.3 percent and 28.4 percent for women, and so on).

This shows the strong influence of an incomes policy established already in the postwar period, one oriented toward "cheap" rather than "expensive" labor with the consequence that living standards rose rapidly due to increasing the number of family incomes rather than by increased wages. In this way we have created pressure for a rapid growth of employment, especially among women homemakers and people in post-productive age. That there is unused potential in our labor productivity is attested to by a number of internal analyses, showing for instance that the average worktime utilization in our industry is below 80 percent, in the construction industry even below 70 percent, or that nearly one million people in the CSSR (or approximately 12-13 percent of all employed) presently are engaged in administration or management performing predominantly administrative duties.

Perhaps the most overloaded input in the creation of our social product are the production capital assets.

For most years of our socialist construction the share of investments in the CSSR's gross domestic product ranged around 30 percent, as against approximately 20 percent in most advanced capitalist countries (the exceptions are Japan's high accumulation which however attained a long-term average of 20-30 percent annual growth in industrial output, and boom periods in some countries such as for instance Norway). Moreover, in the past 20 years 60 percent of the investments have gone into the production sphere.

As a result we have amassed a relatively high amount of capital assets which are rather underutilized. With the exception of plants operating on uninterrupted technologies our industry works in principle on one shift—the average shift work coefficient in the CSSR industry is 1.329 (1987). But even the first, more or less fully staffed, shift reports considerable idle time due to shortcomings in materials supply, restrictions in power supply, and poor labor morale. We estimate that the two-shift operating potential of industrial capital assets is utilized to 40 percent at the most. But if we note only the unmanned jobs on the first and second shift and assume an average shift work coefficient of 1.5, we see that the CSSR industry has some three-quarter million unused job opportunities for workers.

The unusually strong prime potential of the Czechoslovak economy is then further evidenced by the fact that despite these large unused capacities and shortcomings in the utilization of the main economic resources we have achieved a very solid average standard of living of the population.

The relatively high level of the people's material consumption is characteristic of the generally solid standard of living in the CSSR. Its positive features further include especially full employment, free health service and education, income security for all, extensive social assistance from public funds (child allowances, paid annual maternity leave, a subsidized wide net of child care centers, subsidized recreation for the working people, etc.), broad availability of housing allowing roughly three-fourths of the population to live in new apartments equipped with running water, sewers, central heating, electricity and gas, there being no "homeless" or "slums" still typical of most of the world's countries, and last but not least the relatively dense infrastructural net consisting above all in settlements and public facilities, public transportation, public food services, cultural establishments and libraries, etc., with the countryside especially well covered.

But the forecast points objectively to serious questions of lag in the general quality of public consumption as compared with advanced West European and Scandinavian countries, including some aspects of social security. The high quantitative level of our people's personal consumption contrasts unfavorably with the qualitative

level of the domestic market's offerings where a persistent disharmony between quantity and quality gradually crystallized into a deep structural imbalance between a relatively full satisfaction of basic needs and an increasing inability to meet the demand for higher, more advanced demands of the population. While we have a relatively good supply of staple foods, ordinary necessities (clothing and footwear), basic housing and household equipment, there is a constantly increasing and unsatisfied demand for goods and services meeting more sophisticated needs and activities in particular connection with quality use of spare time. This involves primarily motorism, consumer electronics, tourism (especially attractive travel abroad), culture, health, healthy environment.

The growing disproportion between demand and supply of the more demanding, sophisticated needs arose and became a subject of criticism for over three decades now, and gradually with the rise of incomes and higher income groups threatens to expand into an overall imbalance between demand and supply on the domestic market in general. This is tied up with a trend seeing a general increase in the demand for goods (as well as services) of better quality, in a wider assortment, fashionable and even individualized, that bumps up against the limited willingness of producers to adjust. Another negative factor is the unsatisfactory quality of the domestic trade's material equipment including insufficient selling space, lack of personnel and parking space, etc., which is also one of the causes of uneven supply, shoppers' queues, etc., leading to considerable difficulties and waste of time for the people.

Here we come to one of the central nerve points in the structural change as defined by the Summary Forecast. The present over-extension of consumption for production the hypertrophied heavy industry (with its position spreading further in the consumption stage, that is, after the export vs. import transformation when the Group "A" share in the use of domestic product is even higher than in its creation) has its reverse side. It is the low output and consumption of the entire bulk of the engineering consumer goods and services for the population. As we have already indicated, the imbalance in our consumer market has already for a long time nestled in the "upper spheres" of the demand when after a relatively decent satisfaction of the basic necessities such as food, clothing and housing a further rise in incomes has led to a more sophisticated demand, connected primarily with the extension and use of spare time. In present conditions this means specifically individual motorism, consumer electronics, foreign travel to attractive regions, comfortable housing and attendant services including telephone, as well as a number of other services in general. The logical trend in increased purchasing power and people's demands points from the basic to the higher, more sophisticated demands. A mere increase in the quantity of goods on the market—staple foods, textiles etc., up to the standard prefab apartments—cannot lead to a solution. So we will address this question at least briefly, to further clarify that constructive solutions are possible.

First the issue of motorism. In recent years we sell about 110,000 passenger cars annually; their total number is approximately 2.6 million (2.8 million including the public sector), with an average service life of 24 years. This shows a rather different situation from the West European countries where the average service life often is less than 10 years and there is a car for roughly 2.5 to 3 inhabitants. In our country it is 6 for now (and including the service life in the comparison it would be as high as about 15). This signals the dimension of our lag, reinforced by the well-known problems of an extremely limited scope of offerings, shortage of spare parts and service capacities, high prices and the like.

Drawing an analogy with world trends and estimating the unsatisfied domestic demand, one can assume that even with today's high prices we could double our sales within 5-7 years, specifically to 250 to 300,000 cars per year, and later in the years 2000-2010 gradually up to 400-600,000 passenger cars. This would obviously require a corresponding expansion of the offerings and a better relationship between average wage and car price. Even today's inadequate state of motorism ties up some 8-10 percent of the population's expenditure on goods and services: 7.5 billion korunas for the purchase of cars, 12.5 billion korunas for gasoline and lubricants, 2-2.5 billion korunas for spare parts and accessories, 2.5-3 billion korunas for insurance and repair costs, 5 billion korunas for the construction and maintenance of garages, parking and other car owner's expenses. An effort to attain the optimum state of affairs would increase these annual costs involving car purchase to 20 billion in the first stage around the year 2000, and further to 35 billion korunas; as for operating costs, they would rise analogously to 40 and 60 billion korunas (in numbers this would double the number of cars existing today, but an evidently higher rate of car use per year compensated for partly by reducing the gasoline price would more than double and more likely triple the costs of garaging, parking, insurance and especially car accessories such as tape deck players, telephones etc.). Overall then, these costs would rise to approximately 60 and later nearly 100 billion korunas, which compared with the present state of affairs (about 350 billion korunas in total national expenditure on goods and services) appears an enormous, almost dreamlike item; it would in fact soak up much more than the whole imbalanced overhang of purchase-capable demand over the supply.

Yet this is a highly profitable program which would not only earn its cost but also cover a significant portion of government expenditures. From the point of view of the state budget the sale of both passenger cars and engine fuels is lucrative. Of course the question is whether it serves a good purpose for us to aim for the production of a half-million cars with our own resources. Preliminary calculations indicate that greater benefit would derive from cooperation (up to various forms of fusion acceptable to Czechoslovakia) with advanced foreign auto makers, which would also facilitate a reasonable coverage of foreign currency requirements for the needed

technical equipment (payment by way of exporting cooperatively produced parts—e.g., transmissions, engines, etc.). The considerable surplus of production capacities and factory floor space in our engineering industry (including specialized “automobile” floors) would make possible a rapid start of this program, which would have to encompass a broader dimension by including completion of their highway net, construction of garages and motels, expansion of service establishments, and so on. This would certainly involve a major, but one might say beneficial, intervention in the entire economic structure.

Similarly with other structural changes in favor of the standard of living, especially those involving consumer electronics and tourism. If today we are selling roughly 6-7 billion korunas' worth of consumer electronics, of which more than half are color TV sets, then an analysis of world trends and estimates of prospective domestic demand indicate the possibility of raising the present offering by a multiple, to 15-20 billion korunas or even more. And it is downright startling to find that at today's prices this increase in supply could be covered by annual imports amounting to a mere 100 million dollars. Today's sale prices of the world's producers, if their standard products are purchased in large volume, offer in this branch of consumer electronics the possibility of converting each dollar expended into 100 korunas in our retail prices. Even in our present insufficient overall imports from free currency areas amounting to some 4 billion dollars this hardly constitutes an “excessive” sum (not to mention the possibility of sizable imports of this kind from China, India, etc.).

As regards tourist travel abroad, if we follow the West European analogy and consider the lower limit of their average expense per capita as between 250 and 500 dollars, we can foresee sums of 1.5-2 billion dollars and 1.5-2 billion rubles or other non-convertible currencies in this value (a tremendous unused potential exists for instance vis-a-vis Cuba and in part also some other developing countries to which we grant credits); this on the whole would mean our population's expenditure of 50 to 60 billion korunas. Getting hold of these foreign currency resources is certainly within the realm of possibility; suffice it to note that in 1987 neighboring Austria took in 8.7 billion dollars from foreign tourist trade (of which two-thirds was concentrated on Vienna). In our country such receipts ranged around 120 million dollars, despite the fact that Prague is unquestionably a “pearl” for foreign tourism.

All these considerations surely are of a more or less analytical and inspirational nature. One cannot immediately draw from them planning conclusions; these must delve much more deeply into the condition permitting their realization—some may hide various, of course not always negative, surprises. Our concern here is to outline an overall strategic direction of structural changes, their great and latent chances: resources tied up in present-day extensive “production for the production” revolving around the axis of consumption going into production, to be freed in favor of imparting dynamism and gaining

new quality in the standard of living. That is, “pushing” these resources toward the opposite pole—personal consumption. This should in the future be the axis around which will “revolve” a much larger share of the social product, of the labor, investment, and import resources. Hence it is necessary to give free rein to these economic approaches. Cutting the Gordian knot of structural deformations merely along the line of simple technical-accounting links and measures (when for instance the introduction of continuous casting and raising the proportion of quality steel and lightened profile would permit a certain reduction of steel output and this in turn a certain cut in the consumption of standard fuels) alone would not solve the problem. Only the combined effect of a strategic structural policy from the center (the State) and the impact of the new economic mechanism, of the market and its own criteria, will make it possible to achieve the desirable reduction in the final production use of materials, energy, investments and labor to a level comparable with the advanced capitalist countries (above all the smaller open economies with limited availability of their own raw material and energy resources). This is why structural changes cannot be head-started by reducing the production of steel and coal followed by directives restricting their consumption, but rather by reducing excessive consumption and demand, cutting back inefficient production lines and activities while imposing harsh restrictions on all budgetary, credit and foreign currency financing.

In tandem with this there must proceed preparation of technical-economic and social projects dealing with the elimination of selected production lines, reorientation of the territorial-production entities and enterprises, requalification of personnel. This concept of re-allocation must be worked out at the state center, but must be pushed through mainly by means of a budgetary, credit, tax, subsidy and foreign currency policy rather than by directive indices of production according to enterprises, which on contrary must effect the anticipated changes already on the basis of existing market conditions. There will be a great number of contradictory movements which can be brought to optimum effect only by a live market with its entrepreneurial mechanisms and economic compulsion. The economic conditions of this market will be influenced from the center. An automatic impact of abolishing inefficient production lines on the working people is not unavoidable; they can be offered opportunities for requalification and new jobs, as well as further social benefits.

Structural changes can substantially ease the situation of our women, improve conditions for the nation's education and health including further reasonable steps to make the work time shorter and more flexible. Structural changes in our conditions need not mean a rise in unemployment, rather on the contrary—a significant step forward on the road of socialist humanization of the work process and improvement of the overall quality of our life. These general prognostic considerations must be rendered more specific, but again it cannot be by way of

accounting but rather a more demanding, truly economic concretization in the awareness that the condition for such a positive course of structural changes is a thoroughgoing economic reform. Without it a program of structural changes will inevitably founder on the shoals of voluntarism, incompatible with the objective demands of competitiveness and economic efficiency of the 1990's in the world at large as well as on the socialist markets. Specifically, it all means a consistent linkage between implementation of structural changes and comparative advantages, convertibility, international specialization and cooperation, etc. But equally, an economic reform program without the suggested structural changes would be an illusion. The prognosis points to a concrete economic and social program the foundation of which is the union of structural changes and an economic policy utilizing the advantages of the socialist market and opening up the Czechoslovak economy relative to the international division of labor while promoting the competitiveness and convertibility of our production. A forecast in this historic period thus of necessity means forecasting reforms. Reform in the perception of the Summary Forecast does not however mean a simple transition to indirect tools of management and market, but rather a genuine program for a concrete Czechoslovak road to prosperity and a new quality of the living standard and life in general on the foundation of socialism. In this respect the forecast sketches out a number of problems and inspiring thoughts relating to the life environment and health of the people, advancement of the educational system, education and qualification in general, culture, status of the young as well as the oldest generation, the status of women and the family, etc., up to complex theoretical thought about the new historic initiative of socialism in general.

Footnotes

1. "A Summary Long-Term Forecast for the CSSR to the Year 2010." Prague, Forecast Institute of the Czechoslovak Academy of Sciences, 1988.

2. Compared with West European countries the CSSR ranks first to fifth in the production of wheat and other grains, sugar beet, potatoes, milk, meat, vegetables, fruits and eggs per capita or population, fourth by the use of 344 kg of chemical fertilizer per hectare, and most definitely first in terms of capital assets per hectare.

3. In the number of construction industry workers per thousand of population the CSSR ranks first in comparison with West European countries (44 as against 23-36), first also in the cement output per capita (662 kg as against 201-562 kg), and unquestionably first in cement consumption per comparable unit of gross domestic product (83 tons per million USD gdp in 1980 prices, as against 24-34 tons in Western Europe and the USA).

4. The volume of gross ton/kilometers carried by rail amounted to 9,326 per capita in the CSSR in 1986, as against 683 to 3,365 in other countries: in Great Britain,

575; in the German Federal Republic, 2,619; in France, 2,617; in Belgium, 1,873; in the Netherlands, 529; in Italy, 683; in Switzerland, 2,577; in Denmark, 904; in Austria, 3,365; in Finland, 3,246; and so on.

Corruption of CPCZ Elite Denounced

90EC0153A Bratislava PRAVDA in Slovak 6 Dec 89 p 4

[Article by Prof. JUDr. Jan Lazar, Dr.Sc., chairman of the Association of Slovak Jurists: "Corruption of Uncontrolled Power"]

[Text] Under the Stalinist model of constructing a socialist society, which was specifically applied also to Czechoslovak conditions, there was precious little concern for achieving unity between the stated, declared legal norms and actual legal practice. This was the case with the principle of equality of all citizens before the law. Its violations in practice are directly linked to the method, organization and exercise of political and economic power in the state and society. The real centers of power represented by the party-bureaucratic structure were not subject to effective control by other organs of power, much less directly by citizens or their organizations. And uncontrolled power has always led and ineluctably leads to its abuse, which can only result in corruption engulfing all areas of society's life. Such a power base virtually creates the preconditions for the rise of manifold privileges for individuals or even whole groups of those who are either direct bearers of uncontrolled power or share in it in various indirect ways. And it is precisely abuse of power, corruption and existence of privileges which are the main obstacles to enforcing the principle of equality of all citizens before the law. Violations of this principle in the Czechoslovak legal order occurred virtually in all areas of the law where the citizen became the subject of legal relationships.

Perhaps the most egregious violations of the principle of citizen equality before the law involved illicit enrichment to the detriment of society and the gain of other material advantages undeserved by personal effort. This was the most typical expression of power abuse during the period of stagnation. Personal enrichment of morally infirm power holders was made possible, even facilitated by the circumstance that they were closely connected with organs of criminal prosecution (frequently in positions superior to them) and thus were able to assure conditions allowing them to escape criminal prosecution for their illegal acts. Even though in some cases they could not escape their responsibility entirely, they managed at least to have the legal consequences mitigated, in particular by not having to surrender the illegally acquired properties or values.

The foundation for such practices was offered by the CC CPCZ Secretariat's decision according to which the organs initiating criminal proceedings against persons with "nomenklatura" status were duty-bound to report this fact to the respective Party body. This in itself would not be unusual, supposing that the CPCZ as the ruling

party would require it for reasons connected with a possible loss of CPCZ membership or other party penalty. But over the years the rule was given totally different applications. In the given power structure and using Stalinist or neo-Stalinist methods of exercising the Party's leading role the simple reporting duty was deformed to the extent that, depending on the specific conditions in the okres or kraj, it was transformed into more or less one of granting consent, and moreover not by the Party organ but rather only by a representative of the bureaucratic Party apparatus. In this fashion it was frequently possible to obtain and secure "criminal immunity" for certain persons or groups of people. Thus it became possible to "dispose" of many criminal cases even before they began. And even when criminal proceedings already got under way and eventually the case reached a court, owing to the absence of effective guarantees of judicial independence it was still not impossible to exert influence on judges on behalf of certain persons (who commanded "higher" interest) in order to mitigate the charge, or even dismiss or requalify the accused as a witness, and so on.

For these reasons many criminal cases subsequently were prosecuted, tried and concluded, but ultimately with a "narrowed" circle of defendants and convicts. These include not only the already known case of Babinsky et al., but also others such as the Rasocha, Zelik, Kovac, Zlatokov, Mlada Boleslav Auto Works, Intercoop, Radosinka, and a great many other cases. And how many cases of criminal responsibility have never reached any court exactly for the reasons mentioned? This situation is aptly characterized by the view widely held among judicial personnel, that if the principle of socialist legality were to be applied strictly, we would have a case like Babinsky virtually in every okres of the Republic.

Unjust enrichment and amassing material wealth unsupported by honest labor by individuals which is directly tied with abuse of personal power, need not and does not always constitute a crime or misdemeanor which would always require prosecution. A whole ingenious array of forms, methods and approaches has been developed especially in the last 20 years which permit effective self-enrichment without running afoul of the criminal code. We have here a number of cases of illicit enrichment at the expense of society when "only" the norms of the civil, labor, or finance law are violated.

A fairly large group of cases frequently encountered in practice involve acquisition of real estate (by construction or purchase), mainly family homes or, more precisely, villas on conspicuously favorable terms and a variety of alleviations. The terms were obviously set in direct consideration of the office held by the acquirer or his relative. Cases are known, even to the organs of legal protection, that many a time a high office-holder bought a villa from the state, and while just before the purchase the property was renovated for many hundred thousand korunas out of the state treasury, the purchaser paid a price reaching to not even one-half of the funds invested in it. But the purchase is supported by a proper sales

contract including an official estimate of the building's value and duly registered with the state recorder. So on the surface everything is in order. But of course only on the surface, because such a contract is ab initio invalid because it conflicts with the applicable Civil Code provisions and the illicit property gain must redound to the party at whose expense it was gained, that is, the state.

A particular group of cases of gaining material goods and thus of improper enrichment involve gifts to functionaries on various occasions, most frequently round-number birthdays. Among the gifts are often color TV sets, washing machines, refrigerators, valuable paintings, artistic memorabilia, and the like. It is not without interest that the givers usually did not pay for the material gifts out of their personal pockets but rather out of enterprise, cooperative or state funds. We have even had cases where the recipient, because he could not make use of the many gifts of the same kind, resold them to a commercial outlet.

In a very inconspicuous way but affecting a very sensitive sector we have seen violations of the citizen's legal equality in asserting his right to education, particularly on the university level. The socially desirable outcome of the admission interviews at universities should be the acceptance of the ablest and most talented students. But this was not always so. Even though the faculties more or less managed to sustain the quality criterion (and even then it was not always without exceptions), admission was frequently granted to applicants much less qualified than those who had been rejected, as a result of an appeal process and especially the so-called ministerial continuation. In this school year for instance a total of 74 applicants were admitted to the Komensky University's Faculty of Law, among whom more than one-half scored during the interviews one, some two or even three, failing grades while a number of excellent students failed to be admitted. We know that this cannot be blamed on the Education Ministry alone, but the line runs clearly to the education and science department of the Slovak Communist Party's Central Committee which has direct control over the ministry and thus abuses its power in this area as well.

Last but not least we have to note also privileges in the area of retirement income security, or more precisely, the so-called personal retirement benefits. The socialist society should appreciate and reward workers in the form of retirement benefits based on the principle of labor merit. But is it in accordance with this principle, which is the core of social justice, that for instance a former high CC CPCZ functionary has his retirement benefit set at a sum exceeding 10,000 korunas per month?

In fact, all these things and many more are generally known. They are known to citizens, and to Communists as well. Hundreds of thousands of rank-and-file Communists, just as millions of our nonparty citizens, have been and continue to be justly embittered by such doings of some holders of power because they have nothing in

common with these practices. And when some of them found the courage to point publicly to these misdeeds and to those whom Lenin called "scoundrels" in his own party, they were persecuted, harassed and removed from any if even potential influence on the course of policy. Hence there is a clear dividing line between the hundreds of thousands of morally untainted Communists, bearers of high moral and humane values connected with the ideals of a truly scientific socialism, and those morally decayed, who have succumbed to the lure of power and "mammon" and grossly misused their power position which they acquired as a rule thanks to the existing "nomenklatura" appointment system for leadership functions, promoting themselves while lacking in competence, the requisite abilities and fundamental moral values.

Those who feel bitter and betrayed include also the vast majority of jurists, even despite the fact that these antisocial phenomena occurred in the realm of law, in their field of activity. It is also true that these phenomena have deep roots and primary causes outside of the sphere of law. All honest and courageous jurists, no matter what sector of social activity they were engaged in, found it extremely burdensome to see the distortions of the elementary principles of the socialist legal order. The vast majority of our jurists have a correct grasp of the broader social context of today's developments and are prepared to exert every effort, not least in the interest of asserting the principle of the equality of all citizens before the law regardless of their power position or functional classification.

CPCZ Democratic Forum To Participate in Congress

90EC0189A Prague RUDE PRAVO in Czech
20 Dec 89 p 3

[Unattributed editorial: "What Will the DFK Bring to the Extraordinary CPCZ Congress?"]

[Text] The Democratic Forum of Communists [DFK] will go to the congress aware of its responsibilities vis-a-vis 60,000 of its followers and additional hundreds of thousands of sympathizers. Primarily, however, the DFK will go to the congress aware of the obligations it has toward the majority of the populace of this country which, as has been repeatedly proved through public opinion surveys, desires development to proceed along socialist paths or desires development having strong socialist elements. The Czechoslovak Socialist Republic needs and will continue to need a modern leftist socialist policy. How will Communists contribute to it? We see the fundamental contribution made by the DFK in the response to this question.

It is clear that Communists will not formulate and implement such a policy on their own. There exists an entire spectrum of political forces and parties which are going or can go in the leftist direction, traditional forces and those which are just forming, and in which the public today is investing its hopes.

The nascent party of the "greens" and the Czechoslovak Socialist Democratic Party belong here, as well as the already existing Czechoslovak Socialist Party, the Rebirth Club, the DFK, as well as the CPCZ as a new party without the burden of the past.

In other words, the Communists cannot claim to have a monopoly on socialism. We must, in fact, ask ourselves a question as to what we must fundamentally change in our party in order that we may be a contribution to the further development of the left and to socialism, rather than a burden and a risk.

At this extraordinary congress, we consider it essential to also speak of this worse side of our role. The CPCZ continues to be the carrier of a deformed picture of socialism, of undemocratic methods of conduct and organization. Various Mafias continue to function within it which still hold real economic, political, and organizational power in their hands which was unjustly obtained in the past. It is necessary to part company with this past; it is necessary to resolutely get rid of this burden.

Consequently, the DFK comes to the congress with the following fundamental demands:

1. We demand the advent of new people into the leadership of the party at all levels, the creation of a collective democratic leadership in the party. Following our unpropitious experiences, we propose that the function of general secretary be eliminated and the function of a party chairman and officiating party secretary be created to direct organizational work. In this critical period of transition, the DFK feels it to be its duty to resolutely share in the creation of certitudes for intraparty democracy. Consequently, we request the congress to create guarantees in the new organizational statutes to guarantee the origin of platforms and ideological streams and to guarantee that they will be taken fully into account.
2. We demand the dissolution of democratic centralism as an obsolete principle which substantially contributed to the fact that the party found itself in a deep crisis, destroyed feedback and democratic controls, and delivered the party into the hands of groups of rulers.
3. We demand a completely new establishment of the party apparatus at all levels. The existing apparatus at all levels must be dissolved and newly constituted on the basis of a new consistently democratic organizational order (competitions, etc.).
4. The DFK insists on its hitherto unfulfilled demands, particularly the annulment of the results of conversations with members of the CPCZ in conjunction with the so-called crisis years. Those who are interested are to be offered a suitable method for returning to the party. We demand the civic rehabilitation of all those who were unjustly impacted by the so-called normalization. We demand the complete disestablishment of the People's Militia organization.

5. We demand the immediate publication of information regarding the budget and property of the party and, on the basis of this information, we demand that a decision be made regarding the utilization of part of this property for all-societal purposes.

6. We propose the referendum method for decisions on key problems even within the party.

7. We demand that the extraordinary congress tie into the negotiations of the Vysocany Congress of August 1968. It is essential for the congress to respond to the question as to how the party came to the current status and decree the specific responsibility of individuals. We challenge the congress to make a public apology to all of society in the name of the party.

We will judge by the course of the congress and its results whether the party is capable of becoming a modern leftist party. If the congress is unable to make express progress in this direction, the public will be further convinced in its conscience that the CPCZ intends to continue holding on to the remnants of privilege and power. The DFK and hundreds of thousands of other Communists could, in such a case, no longer remain within the CPCZ.

In addition to these basic demands, we consider it urgent to continue working on the party program in the following directions:

1. To constantly render the relationship toward the economic reform more precise, depending on how the government will implement it and render it specific. The CPCZ must prosecute a policy of social protection for all groups of the populace which will be most heavily impacted by the burden of the reforms and of modernization. In so doing, it must collaborate with the trade unions in a new way.

2. To prosecute the protection of the environment in cooperation with ecological movements. To strive for the effective protection of the cultural heritage.

3. To deal with the positions and problems of women in our society. This question is frequently bypassed in our political life or it is perceived in the recreational spirit. The party must strive to create conditions for increasing the participation of women in the political and social life. Women can make a fundamental contribution to necessary changes in the style of work performed by the party and in our entire political culture by introducing the elements of materiality, simplicity, and tolerance.

4. To assist in the creation of self-administration as a basic element of social and political life in Czechoslovakia.

5. Czechoslovak foreign policy will have to be perceived in a new spirit. The return of Czechoslovakia to Europe must mean the active participation of Czechoslovak Communists in the formation of an all-European left and

the strengthening of collaboration with its most progressive components such as, for example, the Communist Party of Italy.

The alliance with the Soviet Union and a share in the democratically arranged Warsaw Pact organization must be one of the substantial components of foreign policy of the Czechoslovak state, with the presumption of the future disestablishment of military-political blocs in Europe. At the same time, we will have to reevaluate the entire European balance from the standpoint of maintaining peace and good neighbor relationships, as well as from the standpoint of specified Czechoslovak state interests. It will be necessary to seek new guarantees of our independence and territorial integrity, including guarantees of the inviolability of our border regions.

The fact that these program questions will not be contemplated only among ourselves, but that we shall collaborate in this endeavor with all, must become one of the principles of our new policy.

It is the task of the DFK to help a maximum number of honest people to rally around such a policy. We do not doubt that our society has hundreds of thousands of such people—people who are willing to work politically not because of privileges and power, but in the interest of socialism as a society of humanity, democracy, and social justice.

Socialists Criticize National Front

90EC0178A Prague SVOBODNE SLOVO in Czech
19 Dec 89 p 4

[Interview with Ladislav Batora, member of the municipal committee of the Czechoslovak Socialist Party and chairman of the district committee of the party in Prague 7, and remarks by Jan Skoda, central secretary of the Czechoslovak Socialist Party: "Our Relationship With the National Front"; date and place not given; first paragraph is SVOBODNE SLOVO introduction]

[Text] We spoke about the relationship between the Czechoslovak Socialist Party and the National Front, as well as the relationship with the Civic Forum, with Ladislav Batora, member of the municipal committee of the Czechoslovak Socialist Party in Prague and chairman of the district committee of the party for Prague 7.

[SVOBODNE SLOVO] What is your view regarding the current role of the National Front?

[Batora] Our district committee dealt with the question of the relationship toward the National Front at its session on 28 November 1989. The result was a proposal for the reorganization of the National Front, which we presented for evaluation to the Central Committee of the Czechoslovak Socialist Party, the Central Committee of the National Front, and to the Civic Forum.

[SVOBODNE SLOVO] What was the essence of your proposal?

[Batora] The current platform of the National Front does not create conditions suitable for solving the situation. We therefore recommended that a new organization be created and designated as the "Forum of National Agreement," which would incorporate the Civic Forum organization, the Public Against Violence organization, current political parties, and the student movement. We understand the Civic Forum to be a platform of forces which became united against the totalitarian system of power. In conjunction with the future polarization and differentiation regarding the individual structures contained within the Civic Forum, political parties which will become independent members of the Forum of National Agreement will later spin off from the Civic Forum. The practical dissolution of the Civic Forum would lead to the formation of a multiplicity of views in society which is an essential prerequisite for the announcement of extraordinary parliamentary elections. The role of the Forum of National Agreement could end with elections to legislative bodies.

[SVOBODNE SLOVO] Has your proposal undergone any substantial changes in recent times?

[Batora] Yes. From the Civic Forum proclamation of 4 December 1989, it can be seen that the Civic Forum wants to stand as a unified bloc in the elections. With this proclamation, the Civic Forum has become a leader in the ongoing revolution and this role is universally recognized by the nation. This fact must be considered to be a political reality.

[SVOBODNE SLOVO] However, this action by the Civic Forum casts a new light upon the role of the National Front.

[Batora] The National Front finds itself in a situation where it is perceived as a conservative element which found itself in the political spectrum in opposition to the Civic Forum. The National Front must be characterized as an organization which perhaps was progressive in the postwar era, but, with the passage of time, became a rudiment of the Stalinist era. For this reason, using its position adopted on 5 December 1989, our district committee appealed to the leadership of our party to adopt a flexible position with respect to the role of the National Front during the current period. The fear exists that our party, with its position with regard to the National Front, could find itself if not in opposition to the all-people's movement, then at least on the periphery of political events. The party would certainly not deserve such a fate, neither would its membership, which has thus far supported all steps taken by the leadership. We therefore recommended that our position be discussed at the 12th Plenary Session of the Central Committee of our party.

[SVOBODNE SLOVO] What questions did you present for discussion?

[Batora] We recommended that the Central Committee discuss the question of reorganization of the National Front, or possibly the question of the party remaining within the National Front at all; we recommended that the Central Committee issue a clear position statement of our party vis-a-vis the Civic Forum and that the leadership of the party initiate immediate negotiations with the Civic Forum which would lead to the evaluation of the contribution made by our party to the democratization process in the beginning phases of the Civic Forum formation. We demanded that these negotiations give rise to a joint position of the Czechoslovak Socialist Party and of the Civic Forum with respect to the role the party would play until the realization of elections. We were assured of the justification of our demands by the position taken by the presidium of the municipal committee of the party on 5 December, in which it is said "that the function of the National Front has become outdated and that it is necessary to reevaluate the participation of our party in this organization."

[SVOBODNE SLOVO] What can be said in conclusion?

[Batora] I believe that this discussion will contribute to clarifying our relationship toward the National Front and toward the Civic Forum. Our party will continue to be the avant-garde of today's democratization movement. However, I consider questions pertaining to our relationship with respect to the entire political spectrum in contemporary society to be so serious that I believe that it is necessary to convene an extraordinary conference of the party for the purpose of unifying views sooner than the April deadline.

Remarks by Jan Skoda, Central Secretary of the Czechoslovak Socialist Party

The National Front as still perceived by Batora and in the form in which it is, unfortunately, still being asserted in a number of okreses and localities no longer exists. The National Front is gradually becoming a meeting place for political entities to discuss common problems. It is guided by the principle of consensus, it has no prescriptive or regulatory jurisdiction. The National Front will not have an apparatus. In its relationship with the Civic Forum, the Czechoslovak Socialist Party considers itself to be an independent political force which identifies with the Civic Forum with regard to the majority of its demands. The decision by the Central Committee to convene a national conference in April was unanimous. If the fundamental social conditions were to change, the Central Committee can undoubtedly reevaluate the entire matter.

Financial Support for Political Parties

90EC0182A Bratislava PRAVDA in Slovak
15 Dec 89 p 2

[Interview with Ondrej Trnovsky, chairman of the economic section of the Central Committee of the National Front of the Slovak Socialist Republic, by Martin Krno,

editor of PRAVDA, Bratislava: "How the Organizations of the National Front Share Subsidies"; date and place not given]

[Text] [PRAVDA] In recent times, questions are proliferating regarding state subsidies to individual political parties and social organizations.

[Trnovsky] Financial means to facilitate the operation of organizations which are within the economic system of the National Front are provided from the state budget through the Ministry of Finance, prices and wages of the Slovak Socialist Republic, and from taxes on economic results provided by installations of the Central Committee of the CSZTV Sazka.

[PRAVDA] Who actually decides regarding these financial means?

[Trnovsky] Until recently, they were approved by the CPCZ CC. The Presidium of the Central Committee of the National Front of the Slovak Socialist Republic did not take a position in this regard. The Central Committee of the National Front of the Slovak Socialist Republic for the first time discussed this problem this year in July. All of its members—delegates from individual political parties and social organizations affiliated with the National Front—were provided ahead of time with complete materials and spoke out with their remarks regarding the presented proposal at a joint session. Several problems were solved within the framework of existing possibilities. Subsequently, this budget was discussed by the Presidium of the Central Committee of the National Front of the Czechoslovak Socialist Republic and, subsequently, by the Presidium of the CPCZ CC.

[PRAVDA] Did the presidium of the party make any more substantial incursions into the proposal?

[Trnovsky] No, it merely approved that which had previously been agreed upon within the National Front.

[PRAVDA] And how big is this package of money really?

[Trnovsky] The financial contributions to 18 organizations which are within the economic system of the Slovak National Front are approximately Kcs 537 million for this year. Of this amount, some 40 percent is allocated to direct activities and the remainder are special-purpose subsidies primarily intended for capital construction.

[PRAVDA] According to what key is this sum divided?

[Trnovsky] The magnitude of financial means is based on the practices of previous years. In recent times, it has changed minimally, normally only when new tasks of one or another organization are involved with respect to specific purposes. For example, this year, the Union of Socialist Youth League received more than Kcs 3.5 million to save the Cierna Hora forest railroad.

[PRAVDA] Which organization gets the highest subsidies?

[Trnovsky] Recomputed per individual member, clearly the former Party of Slovak Rebirth, which is currently the Democratic Party. On an annual basis, this represents Kcs 6,062. For example, the Freedom Party receives per-member contributions for its activities of Kcs 3,524, the Slovak Union of Journalists Kcs 1,170, the Union of Invalids Kcs 218, the SZPB Kcs 123, the Union for Cooperation With the Army and the Young Pioneers Kcs 93, the Red Cross Kcs 26, and the ZCSSP Kcs 14 per member. The Union of Cooperative Farmers also receives a special-purpose contribution intended for the recreation of members of cooperative farms amounting to Kcs 16.8 million.

[PRAVDA] And who receives the overall largest amount of money?

[Trnovsky] It is the CSZTV. However, these are funds for the capital construction of physical training facilities—Kcs 197.5 million. In second place is the Union of Socialist Youth and its Young Pioneer organization (together they have more than 1 million members); they receive Kcs 144.9 million.

[PRAVDA] And what about the Communists?

[Trnovsky] The CPCZ does not receive any financial support from us. Neither do the Revolutionary Trade Union Movement, the Union for Cooperation With the Army, the special-interest organization of horticulturists, small-scale animal husbandry operators, beekeepers, and hunters, as well as production, consumer, and housing cooperatives.

[PRAVDA] What kind of subsidies can be expected next year?

[Trnovsky] The proposal is not substantially different from this year except for the fact that the economic system of the National Front will include the Slovak Union of the Protectors of Nature and the Countryside and the Union of Slovak Lawyers. The national economic plan for the Czechoslovak Socialist Republic for next year has, thus far, not been approved. It is difficult, therefore, to predict what types of subsidies we can count on, but they will most likely be lowered.

Writers Establish New Syndicate

90EC0190B Prague RUDE PRAVO in Czech
23 Dec 89 p 2

[Report on the position of the Community of Writers on the establishment of the Syndicate of Czechoslovak Writers]

[Text] Prague (CTK)—Representatives of the Czech Writers Association and the Slovak Writers Association published a joint statement on the establishment of the Syndicate of Czechoslovak Writers which they made

available to the press. The Community of Writers takes the following position on this statement:

The representatives of the Czech Writers Association and the Slovak Writers Association did not represent in their joint meeting (18 December—editor's note) the interests of all the writers in Czechoslovakia. They did not take into account the real existence of new writers' organizations in the literary life of Czechs and Slovaks—the Community of Writers and the Community of Slovak Writers. Neither did they take into consideration the interests of independent writers who to this day have not become members of any of the mentioned organizations. To give the total picture, however, it must be said that they did not legitimately represent even the interests of their own members. They overstepped their mandate during their proceedings. The committee of the Czech Writers Association and the action committee of the Slovak Writers Association were entrusted by the extraordinary congresses with the preparation of the regular congresses of both organizations and with the reevaluation of their inner structures. They were not empowered, however, to act in the name of the membership base on associationwide or supraassociation questions.

Furthermore, we consider it necessary to correct the information that both committees are in constant touch with the representatives of the Community of Writers and the Community of Slovak Writers. This information does not reflect the reality. At both national levels there has been to date only a single meeting of representatives of the Community with either of the associations of writers. The councils of both Communities do not deem it appropriate to make further contacts with the national associations, which to date have not succeeded in parting radically with their past.

The Council of the Community of Writers
The Council of the Community of Slovak Writers

GERMAN DEMOCRATIC REPUBLIC

Economic Reform Proposal Published

90EG0093B East Berlin NEUES DEUTSCHLAND in
German 16-17 Dec 89 p 4

["Discussion proposal" on developing a modern economy, by Hans Taut, Prof. Dr. Wolfrid Stoll, and Edgar Most, State Bank work group members: "The State Bank Must Be Independent"]

[Text] The implementation of economic reform requires the full development of goods-money relationships, a modern monetary economy, and thus a new definition of responsibilities and functions within the banking system. The goal must be the creation of basic conditions for the effectiveness of the performance principle in the economy and for the populace through greater stability of the value of money, and a contribution to the comprehensive application of economic management and planning methods through the utilization of money in all

its functions as well as to the development of the bank's business relationships on the basis of individual responsibility on the part of the enterprises and combines.

1. The basic policies are:

—An expansion of the responsibilities of the State Bank in its capacity as the central bank of the state. For this purpose, conditions are to be created which permit the State Bank, in its capacity as the country's securities issuing bank, to fulfill its responsibilities in regard to currency stability and monetary circulation.

This requires strengthening the bank's role in advising the government and its organs in the designation of national economic goals that are proportional and effective in the interest of ensuring material and financial equilibrium while at the same time consolidating the State Bank's independent status in regard to the printing of money and the implementation of monetary and credit policies in their totality.

All-Round Promotion of the Entrepreneurial Spirit

—Structuring the commercial and business banking functions: The comprehensive structuring of the commercial and business banking functions is to be oriented towards the universal promotion of the entrepreneurial spirit of the enterprises and combines for efficient and market-oriented economic activity. To this end, the economic partnership relations between the bank and the enterprises and combines are to be put on a business footing that will increase the work undertaken by goods producers on their own individual responsibility and strengthen their financing mechanisms, that will efficiently promote foreign trade opportunities, and that will develop business relationships with enterprises of all ownership types.

In connection with economic reform, conditions are to be created permitting a separation of central bank functions from commercial and business bank functions and the development of a two-tiered banking system. The changed status of the banks will result in a fundamental increase in their responsibilities.

2. The GDR State Bank will conduct its activities on the basis of the constitution and a law regarding the State Bank which is yet to be passed—and independently of direction from the Council of Ministers. An economic reform must be based on the stability of our currency because that is critical in determining productive behaviour in the economy and populace as well as promoting confidence in our economy's capacity. To this end, monetary policy must receive higher priority within economic policy.

The independence of the State Bank must have as its goal the separation of authority to make decisions regarding the printing of money from the decisions of the Council of Ministers and its organs. That requires restricting the volume of money and credit in accordance with economic criteria as a basic condition for planning and

keeping balance accounts for the national economy, as well as for the development of economic instruments to control money circulation.

No Administrative Distribution of Credit

The State Bank of the GDR must conduct its activity from the point of view of stabilizing the currency, planning and controlling the circulation of money, providing for the supply of credit to the economy, and arranging for payment transactions. In order for it to fulfill its functions, it must be included in the preparatory work on the national economic plan and the government's national budget plan. It will present its viewpoint from a monetary policy perspective.

The money and finances in the overall accounting for the national economy will make evident on the one hand what our economy must produce, and on the other hand what we can actually afford—even if that truth is uncomfortable. Through its monetary and credit policy, the bank will encourage the utilization of the advantages of the international division of labor effort. A basic draft plan regarding the preconditions for and steps to be taken towards the convertibility of the GDR mark will be developed.

3. Subject to the requirements of monetary policy, the commercial and business banks must encourage economic stability and economic growth through an increase in efficiency and must support the development of the commercial entrepreneurial spirit. Business relationships are to be developed in such a way that the enterprises develop fully in their capacity as goods producers and are able to fulfill their responsibilities on the domestic as well as foreign trade markets. The bank will direct its policy towards the satisfying of growing requirements for monetary services that are economically sound and will provide for a high degree of efficiency from the monetary point of view.

a) On the basis of business relationships between the bank and enterprises and combines in the nationalized, cooperative, and private sectors of the economy, the bank, based on its independent findings, will grant credits depending upon the effectiveness of the economic activity in accordance with the requirements of the domestic and foreign trade markets. Forms of administrative distribution of credit are to be eliminated. There is no legal claim to credit. The fundamental precondition is creditworthiness backed up by a guarantee for the repayment of the loan.

The requirements of a long-term effort requiring financing which permits flexible reaction to new market conditions coupled with the long and short-term financing of science, technology, investments, and circulating media, are to be made the basis for the business relationships between the banks and the enterprises and combines. This includes a fundamental broadening of

the operating and decisionmaking latitude of the combines and enterprises also in the area of finances so that money can become more effective in its basic function as a general equivalent.

b) The business activity of the bank is to be oriented towards supporting the economic activity of the enterprises and combines in accordance with the requirements of the domestic and foreign trade markets. In particular, this includes financial operations conducted in foreign exchange currencies, the establishment of foreign exchange entitlements (funds), and the granting of loans in foreign exchange currencies. In the future, the financing of new forms of foreign trade activity conducted in GDR marks and foreign exchange currencies in the socialist as well as the nonsocialist economic blocs—such as direct sales, joint ventures, leasing, et cetera—on the basis of each enterprise earning its own foreign exchange funds for profit transfer and leasing installment payments, will be a part of developing the bank's business activities on the basis of profitability. In connection with this, the commercial and business bank, in close cooperation with the German Foreign Trade Bank, will be prepared to provide additional international services—such as banking information, participation in negotiations on capital participation, etc. At the same time, the banks' advisory role in matters relating to economic affairs involving foreign exchange is to be considerably expanded.

c) As a general principle, the bank will support the expansion of the private and cooperative enterprise sector when there is simultaneous employment of the purchasers' resources and/or participation in GDR marks or foreign exchange currency on the same terms as in the case of enterprises with state ownership. That requires compliance with the standards for covering the loans. In the same way, the bank must adjust to new conditions in conducting banking activities with mixed-ownership enterprises.

d) The goods-money relationships between enterprises are to be conducted by the bank through payment transactions in such a way that compliance with economic contracts is stimulated. The purchasers have the fundamental right to inspect and review goods and services delivered under the terms of the contract prior to payment. In the future, payment refusals due to contract violations will have to have an impact on the development of funds being accumulated through the seller's own economic activity.

The implementation of goods-money relationships among the enterprises will be contractually agreed upon in accordance with economic requirements. Rapid and efficient payment transactions and the expansion of modern services are among the basic functions of the bank.

Enterprises Are Responsible for Their Own Liquidity

e) In accordance with the principle that each enterprise will earn its own resources through its own economic

activity, goods producers are individually responsible for ensuring their own liquidity. The bank can grant loans as temporary assistance for a limited time for the purpose of solving liquidity difficulties. It can make such loans conditional on the posting of guarantees by the combines that resources they have earned themselves will be made available in the event that credit contracts are violated. Steps are to be taken for the stabilization of the enterprises in cases of chronic liquidity difficulties and the absence of conditions permitting the extension of further credit. The state will be responsible for the economic consequences of state intervention. Within the scope of its business activity, the bank will bear a credit risk which will be decided upon in the cases where measures to ensure stability are undertaken.

f) The bank will support the financing of an efficient housing economy. The basic principle is that full responsibility in this regard is borne by the local councils. Only an economically and socially justifiable expenditure will be financed by bank credits for state, cooperative, and private housing construction.

g) The bank's economic oversight function will concentrate on the adherence to the terms of the loan agreements, of the actual coverage, and of the repayment of the loans, as well as on the effectiveness of the projects funded by credits through the development of output and efficiency, and in the future is to be coupled with an economic advisory role as a feature of the bank's business activity.

This advice is to be directed in particular towards questions regarding the more efficient structuring of economic activity involving the production of needed goods and services, and towards a commercially effective handling of finances. Forms of administrative oversight are to be eliminated. The bank can require expert opinions from independent organs to support its decisions.

Bank Board Discusses All Basic Issues

A correction of overcentralization and an administrative reform must be carried out in the banking system. This will include such democratic forms as:

- The formation of a bank board for the collective discussion of all basic issues;
- A fundamental increase in the authority of the bank's branches and agencies.

All in all, the banks are faced with the task of making a vital contribution to the reorganization of the economy for the purpose of achieving greater efficiency. An efficient and modern banking system must be a component of economic reform.

As a follow-on to the proposals of the State Planning Commission (NEUES DEUTSCHLAND of 6 December 1989) and of the Ministry for Finance and Prices, these

proposals, which are presented here only in excerpt form, should contribute to the discussion on reform of the banking system.

HUNGARY

Parties, Politicians: Opinion Polls Show No Clear Trend

Familiarity, Popularity of Political Leaders

25000556 Budapest NEPSZABADSAG in Hungarian
2 Dec 89 p 4

[Article by Hedvig Lehmann: "Attractions"]

[Text] Between July and October 1989 the Hungarian Public Opinion Research Institute [MKI] asked people a number of times to express the extent to which they like or dislike certain politicians. The 1000 person representative sample was composed of the country's adult population.

Beginning in the fall of 1988 the MKI regularly sought views with regard to between 10 and 20 politicians enumerated by MKI to find out the extent to which these politicians are liked or disliked.

Only in the last two surveys (July and October 1989) did the list include politicians who have not become known as members of the Hungarian Socialist Workers Party [MSZMP], but instead represented some opposition organization, or were not members of any party at all. Namely, the new political organizations did not have sufficient time and opportunity to acquaint the public with their politicians. This is also revealed by data pertaining to familiarity with politicians: Substantially fewer people were willing to judge opposition leaders enumerated by MKI survey takers than politicians who have been active in public life for some time. It is noteworthy, however, that with regard to all persons—when it was possible to make a comparison—the ratio of the number of respondents has increased. This fact manifests increased political interest.

Familiarity		
	13-20 Jul	12-18 Oct
Nemeth, Miklos	92	93
Grosz, Karoly	92	93
Pozsgay, Imre	91	92
Nyers, Rezso	90	92
Szuross, Matyas	—	87
Berecz, Janos	80	86
Kiraly, Zoltan	74	80
Horn, Gyula	71	79
Habsburg, Otto von	—	72
Csurka, Istvan	41	51

Familiarity (Continued)		
	13-20 Jul	12-18 Oct
Ribanszki, Robert	26	46
Orban, Viktor	33	41
Racz, Sandor	27	35
Revesz, Andras	—	28
Tamas Gaspar, Miklos	—	26

Popularity		
	13-20 Jul	12-18 Oct
Nemeth, Miklos	81	80
Kiraly, Zoltan	74	77
Horn, Gyula	67	76
Pozsgay, Imre	79	72
Szuross, Matyas	70	72
Nyers, Rezso	73	70
Csurka, Istvan	61	61
Habsburg, Otto von	—	59
Tamas Gaspar, Miklos	—	55
Orban, Victor	57	55
Racz, Sandor	56	55
Revesz, Andras	—	51
Berecz, Janos	54	48
Grosz, Karoly	48	35
Ribanszki, Robert	43	30

We requested survey participants to evaluate politicians enumerated by them [as published] on a scale of 1 to 5, where 1 means that a given politician is greatly disliked, and 5 means that a given politician is very much liked. In processing the data, we formed a scale of 0-100 from the 5-step scale.

Compared to earlier surveys, Imre Pozsgay scored somewhat lower in October, while Gyula Horn's popularity increased significantly. A further significant difference is shown by the fact that the scores of Robert Ribanszki, Karoly Grosz, and Janos Berecz declined by a relatively large degree. These persons are in the lowest bracket.

Opposition politicians are more popular in Budapest than on the average. This applies in particular to Miklos Tamas Gaspar and to Istvan Csurka. In Budapest, Karoly Grosz, Janos Berecz, and Robert Ribanszki are more disliked than the average.

Unskilled and trained workers sympathize to a higher than average degree with the conservative representatives of the former MSZMP. These workers fear more the disadvantages they would suffer most in case a large scale reform is implemented. Loss of jobs, unemployment, and the accompanying higher degree of impoverishment would strike them hardest. Scores provided by skilled workers do not significantly deviate from the average in regard to any of the politicians. At the same time, however, a majority of the skilled workers do not

have as much information as members of the intelligentsia do, and therefore they have a more difficult time in understanding daily political events which appear as chaotic to many. Among white collar workers without degrees, Zoltan Kiraly and the opposition candidates are somewhat more popular. Ratings provided by the intelligentsia deviated substantially from the average in regard to Janos Berecz, Robert Ribanszki, Viktor Orban, Sandor Racz, and Andras Revesz. These persons are liked to a lesser extent by the intelligentsia. A majority of the intelligentsia would like to see large scale changes, at the same time, however, it appears that they do not accept the radicalism of Viktor Orban and Sandor Racz.

Age did not influence the responses to the extent that place of residence and occupation did.

Accordingly, the people's confidence continues to rest with those who have taken part in political life for a longer period of time, and with others who identified with the reform efforts of the ruling party. They could not really develop too strong a like or dislike for the leaders of recently formed opposition parties. On the other hand, people reject politicians in whom their confidence was shaken due to earlier decisions or because of previous or present manifestations.

'Ideal' Representatives, Parties Defined

25000556 Budapest NEPSZAVA in Hungarian
9 Dec 89 p 12

[Article by Judit Kereki: "The Public View of Parties and Representatives"]

[Text] Between 15 and 20 September, between 29 September and 6 October, and again between 12 and 18 October 1989 the MKI [Hungarian Public Opinion Research Institute] surveyed a 1,000-person representative sample of the country's population. We asked several questions concerning the factors that influence citizens in casting their votes for certain parties and representatives.

The election law adopted at the last session of Parliament provides for an entirely new election system. It combines the earlier system based on individual voting districts with ballots cast for slates of candidates. The kind of political image a person or organization aspiring to acquire a parliamentary mandate develops, the program he advocates, and the views he stresses are not indifferent, moreover in the case of individual candidates the personal attributes of the candidate may also play a decisive role. Based on these assumptions we tried to inquire about the criteria by which people cast their votes, and for which representative, party, or organization they will cast their ballots at the elections. We did not find substantial deviations in the course of the three analytical surveys.

What Does the 'Ideal' Representative Look Like?

Most people have a definite perception about the attributes and the political views of the representative they would like to see win the elections. Only a fraction of the people did not want to, or were unable to, take a position in this regard.

The primary point of agreement in this regard is that people feel that a middle aged person would be best suited to perform the task of representation. Three-fourths of the people surveyed stated so. More than one-tenth felt that their interests could be better represented by a younger person. A negligible number of people felt that they would prefer to see older representatives elected.

This survey also confirmed the everyday experience, according to which people feel that men are better suited to political roles than women. Almost half of the respondents would like to see men representing their interests, while only a few feel that women would be suitable to perform these tasks. On the other hand, about 45 percent of the respondents did not care about the gender of the representative.

With increasing frequency, people voice the need for competent, trained politicians to occupy the country's leading posts, and for the people's interests to be represented by professionals with a broad outlook, and an appropriate education. Also in this regard, however, almost half of the respondents stated that they would prefer representatives engaged in intellectual work. A quarter of the respondents would prefer to see physical workers to play the representative role, while a more or less similar proportion avoided the answer.

It appears that personal attributes and party affiliation are equally important in deciding for whom to vote. Forty-five percent of the respondents believe that personal attributes are more important in the elections, and only slightly fewer take into consideration a Parliamentary candidate's party affiliation.

How much difference does it make to voters if a representative protects the interests of the voters' own district, or if he keeps an eye on problems that affect the country as a whole? A majority of the people—about 70 percent—say that they would vote for representatives who give precedent to the interests of the country as a whole, and only 15 percent would prefer that their representatives be preoccupied with the affairs of their districts. A similar number of people regarded the representation of both kinds of interests as important.

What Does the 'Ideal' Party Look Like?

What do people recognize as a "good" party for which they would like to cast their votes?

Spontaneous responses indicate that just as in regard to parliamentary representatives, they clearly expect the "ideal" party to represent the interests of the entire country, of all the people. In the course of the first two surveys two-thirds of those questioned felt strongly about this, and this need appears to be on the increase, because in the last survey almost 50 percent of the respondents mentioned this factor. They regard the representation of particular interests as a lesser function of parties. Only a few mentioned the idea that a political organization should concentrate on youth or on pensioners, while a higher proportion, almost 10 percent of the respondents, would like to see workers representation.

The second largest wish (mentioned by one-fifth of the respondents) is that a party should do everything possible to increase the standard of living, "to improve the living conditions of the people." Related to this matter is a perception according to which a "good" party must have as one of its primary goals the "fixing" of the economy in general. More than one-tenth of the respondents would choose among parties on this basis in the elections. Almost the same number of people are attracted by a "good program," and a similar proportion mentioned some kind of a specific program element. There are some who would like to see a social program which provides long-term solutions, while others would expect the elected party to present a good economic or foreign policy "package plan."

A few—between six and 10 percent—expressed impatience, and stated that they would much rather vote for a party which produces actions, rapid measures, rather than promises. Some respondents voiced the opinion that they would prefer to vote for a party which professes general political values, such as democratism (10 percent), independence (two percent), liberalism (one percent). Some mentioned that a party should be "candid," "open," and should "keep its word" (six-eight percent).

What Are the Requirements?

The fact that people give preference to the "people's party" proves that there is only one social group—the rich—whose interest representation they do not regard as important. In all three surveys respondents provided the same scores with regard to individual social groups' need for interest protection. The respondents' potential party vote makes no difference in terms of ranking the importance of providing representation for certain group interests.

**"How important is it that the party you vote for
represent the interests of..."**
Average values: 5 = very important, 1 = not at all important

	15-20 Sep	29 Sep-6 Oct	12-18 Oct
Workers	4.6	4.6	4.6
The poor	4.6	4.5	4.6
Youth	4.5	4.5	4.6
Agricultural workers	4.5	4.6	4.6
Simple people	4.5	4.4	4.5
Pensioners	4.4	4.4	4.5
The intelligentsia	4.4	4.3	4.4
Villagers	—	—	4.4
Leaders	—	—	4.2
Urbanites	—	—	4.2
Entrepreneurs	4.0	4.0	4.0
Religious people	3.9	3.9	3.9
The rich	2.6	2.5	2.6

The programs, public manifestations of various parties, include a number of goals and fundamental values which they use to attract various strata and groups, or frequently broad masses of society. We enumerated a few of these goals and requested people to rank them: What would you like to see the party you would like to vote for follow? The results of the three surveys are greatly similar. Respondents attribute outstanding significance to the fact that party programs include the goal of a higher standard of living and an endeavor to establish conditions for people to live freely. The former goal corresponds to the expectation established with regard to the "good" party. The need for an appropriate organization to endeavor to achieve the country's independence, and to want democracy and equality among people ranks lower. People regard as least important that a party define the achievement of socialism or capitalism. (Our earlier surveys also show that a large majority of the people do not want one or the other social system, but want a welfare state instead.)

In examining the votes theoretically cast for the various parties, one can observe that with regard to almost every party the ranking of expectations is the same. This phenomenon proves correct those parties which endeavor to underscore their character of being a "people's party." The only deviation one finds is that the better informed, better educated supporters of the Hungarian Democratic Forum [MDF] and the Alliance of Free Democrats [SZDSZ] regard political goals as more important than the average voter.

Accordingly, people establish strict requirements with regard to parties which aspire to acquire their votes. It appears that only that party which is capable of making believe that it represents the interests of every social group, and which is able to convince voting citizens that their individual prosperity and quality of life would improve as a result of voting for that party, can count on

receiving many votes. The great masses of the population are unable and unwilling to confront the fact that not a single responsible party would be able to promise a rapid and spectacular improvement in the standard of living.

POLAND

POLITYKA Weekly News Roundup

90EP0180A Warsaw *POLITYKA* in Polish
No 48, 2 Dec 89 p 2

[Excerpts]

National News

Premier Tadeusz Mazowiecki returned from an official trip to the Soviet Union. [passage omitted]

The Sejm remains very active. It has decided to liquidate the Volunteer Reserve of the Citizens' Militia and the Office for Religious Affairs. It has amended the criminal law and the executive criminal code. Among the changes: a uniform criminal sanction for taking private and social property; ending obligatory additional sentences of confiscation of property (there were proposals to do away with the punishment); resigning from social adaptation centers whose effectiveness in resocialization has proved doubtful; prisoners' work will be treated like work by free citizens (wages, length of service, retirement rights, etc.).

The OPZZ Executive committee criticized the government's proposed changes in the law on trade unions; in particular, it rejected the fifth article on the settlement of collective disputes and the right to strike. The trade unionists charge the proposal violates the conventions of the ILO and the decisions of the roundtable; it maintains the burdensome procedures of negotiation, hampers

warning strikes, and excludes political strikes without specifying what this phrase covers. [passage omitted]

The ZSL Rebirth Congress met in Warsaw at the Palace of Culture. Prior to the opening of the deliberations, the delegates participated in a ceremonial mass. The congress ended the operations of the ZSL and formed the Polish Peasant Party Rebirth. [passage omitted] Kazimierz Oleksiak (age 52), Doctor Hab in agriculture and forestry, former deputy premier in the M.F. Rakowski government, was elected president.

President Wojciech Jaruzelski met with a group of about 40 journalists of various political and ideological orientations. "In the past, the mass media were dominated by rhetoric and created a sense of danger on both sides," said the president. "At present, it is very important to build trust, and the mass media play an important role in that effort." Their pluralism should be noticed wherever the public is broadcast, thus in television and radio. [passage omitted]

The Extraordinary Commission formed in order to evaluate the operations of the previous government met under the chairmanship of Deputy Ryszard Bugaj of the Citizens' Parliamentary Committee. At the opening, former Premier M.F. Rakowski stated, among other things: "My government existed too briefly for society to be able to feel the favorable results of its reforms. We did not even have time to advance our program of basic changes in currency, banking, etc. I consider auditing governments, which the course of events permits barely to begin its mission, unethical. I also consider it immoral to be audited by my former partners at the roundtable, with whom the principles for continuing economic policy were established, and who signed agreements which there is no longer anyone to carry out."

The Citizens' Parliamentary Club has proposed a small amendment to the constitution which calls for, among other things, subordinating the prosecutors to the ministry of justice instead of the president and also giving the Sejm supervision over the people's council. (Currently, they are under the president.) The ZSL and SD deputy clubs in spite of their initial objections were converted to the recommendation by the argument that the president will agree to the limitation of his prerogatives. [passage omitted]

A communique of the Central Office of Statistics shows that wages in the five basic branches of the economy in October including payments from profits reached 320,000 zloty. In industry, 344,800 zloty (mining 535,300 zloty) and in retail trade, 248,400 zloty. The average revaluation of retirements and pensions in October 1989 was 97,152 zloty.

Prices for subsidized foods (skim milk, cheese, bread, supplements) have increased. It has been announced that 98-octane Austrian gasoline will appear initially in Krakow and Katowice; the expected price is 2,000-3,000 zloty. For now the moving price has increased by 100

zloty. The official rate of the dollar has also increased to 3,800 zloty. The most expensive bread is in Lodz—1,800 zloty. [passage omitted]

Vandalism in Nowa Huta: On the day prior to Premier T. Mazowiecki's official visit to the Soviet Union, unknown persons defaced the Lenin monument. A group of the Federation of Fighting Youth threw paint and flammable substances at the monument in front of hundreds of people; the inscription Włodzimierz I Lenin was erased. A toilet was placed on the base. The Soviet Consul in Krakow paid a visit to the city president to express his concern at the act, which, as he said, "violates good manners and interstate alliances." President T. Salwa expressed his concern caused by the events. An investigation and search for those responsible is underway. A government spokesman condemned the vandalism.

The Council of the Federation of the Union of Polish Teachers in Higher Schools and Science has decided to leave the OPZZ.

Jerzy Urban has proposed in TRYBUNA LUDU that the Polish government propose to the four powers and the FRG and the GDR that Poland sign a peace treaty with both of the German states. The FRG is demanding a treaty. Poland in turn is interested in a treaty settling its boundaries and also the problem of damages. It is better for Poland to conclude such a treaty while there are two German states, including one "closer geographically and friendly to Poland."

GAZETA WYBORCZA has received a printing press and modern rotogravure equipment from the French paper LE MONDE. "This symbolic gesture," said the representative of LE MONDE, "is a way for us to multiply the growth of freedom of the press in the East."

Who's Who News. In the Ministry of Internal Affairs, the minister has dissolved the Political and Training Service and the Headquarters for the Military; he also renamed the Service for Personnel and Professional Development the Service for Personnel, Training, and Education of the Ministry of Internal Affairs. He named Col Leszek Lamparski (age 53), lawyer, who for many years headed the Walbrzych Voivodship Internal Affairs Office, the head of the renamed Service. Czeslaw Staszczak, under secretary of state, and Gen Edward Tarnala and Gen Jozef Chomentowski (at his request), who headed the liquidated or changed services, were relieved of their duties. Prof Stefan Amsterdamski (age 60), philosopher, Solidarity activist, interned in 1981, was named under secretary of state and secretary of the Committee for Science and Technical Advancement at the Council of Ministers. Sergiusz Rubczewski, Olsztyn voivod, has resigned his position, which was accepted by the head of the government (the voivod, recall, was attacked in an open letter by Solidarity activists in the voivodship). Klemens Szaniawski (age 64), a logician, professor at Warsaw University has been named chairman of the

Coordination Committee of Creative Unions and Scientific Societies. Jerzy Pasinski (age 42), doctorate in technical sciences, a PZPR member, was elected president of Gdansk (when elected he was an employee of the Gdansk Polytechnic, he received a majority of the votes in the first round of the elections). [passage omitted]

The Radio and Television Public Opinion Research Center has studied opinions on changing the individuals conducting current affairs programs. The responses: all individuals who have conducted programs should be changed, 2 percent; the majority, 6 percent; only a few 21 percent; no need for special changes, 56 percent; no opinion, 15 percent. [passage omitted]

On the Left

[Passage omitted] In a referendum in Hungary (turnout, 60 percent), the majority supported the government proposal to hold presidential elections prior to parliamentary elections, which, in the opinion of commentators, increased the chances of Imre Pozsgay, the candidate of the governing party. [passage omitted]

New trade and customs limitations in the GDR: many goods, especially textiles, will be sold exclusively to citizens of the country or permanent resident aliens. Poles travelling to the West will not be allowed to depart from the transit highway. [passage omitted]

Charges of corruption have been raised in Bulgaria against members of the previous state and party leadership, including Todor Zhivkov. At an opposition demonstration in Sofia, pictures of Zhivkov behind bars and signs with the slogans "Free elections!", "Adolf Vissarionovich Zhivkov," "Real Changes—Not Personnel Changes," "Zhivkov Ambassador to Turkey."

The Socialist International discussed the membership of socialist and social democratic groups and parties in Eastern Europe that have been seeking membership in the Socialist International for some time. Brandt (chairman of the International) in his speech emphasized, among other things, that the changes in Eastern Europe are not only a protest against communist authorities and an expression of demands to end communist rule, but also a symptom of the "growing closeness" of our continent. He greeted the "awareness" of the need for cooperation with the East in the EEC with satisfaction and called for the formation of an Europeanwide agency for environmental protection as an example of the integration of all of Europe.

Deputies to the USSR Supreme Soviet rejected the government's proposed law on management of the economy and the social sphere in the union and autonomous republics. The Soviet parliamentarians felt that the proposal retains "the central dictatorship," and does not leave the republics sufficient freedom of action. [passage omitted]

Opinions

Wojciech Zukrowski, president of the Polish Writers' Union:

(Interviewed by Irena Maslinska, KONTRASTY November 1989)

[Question] Do you think it is possible that the Polish Writers' Union and the Association of Polish Writers will unite in the near future?

[Answer] And why should we unite? I am glad that my colleague J.J. Szczepanski has an association, in which he feels at home; no artificial unity. We are different, so let's be different. It is important that we feel at home, each in his own group. On the other hand, I am glad that everything we adopted at our congress in March our colleagues in the Association have adopted as their own program. So be it. That indicates that we can cooperate in much thinking and perhaps even in actions.

Ireneusz Krzeminski, sociologist:

(PRZEGLAD WIADOMOSCI AGENCYJNYCH No 45, 24 November 1989)

"As a believing person who belongs to the Catholic Church, I was again placed in a difficult situation by the Primate. When he became the patron of the reborn national democrats, or the party called the Christian National Association, we, I and the Primate, found ourselves in completely different ideological camps. While I treat Cardinal Glemp as the head, the official authority of the Catholic Church in Poland, I must also consider Cardinal Glemp, the leader or spiritual patron of the reborn national democratic party as a political opponent. That puts me in a terrible situation. In practice, it is difficult to decide when to treat the Cardinal as Primate and when to treat him as leader of an unfriendly political party. The problem is all the more complicated since in undervalued documents he sent to the Primate's social council, politics is clearly united with theology. Recently, thanks to PRZEGLAD WIADOMOSCI AGENCYJNYCH, I read one of the cardinal's theological justifications of the respect due to the nation. Namely that the Polish nation has been baptized. The memory of the baptism of the nation forces us, in particular, to adopt the thesis that the slogan 'Pole-Catholic' is a fact, 'a particular historical existence.' The entire mental construct seems to me unjustified, even doubtfully Christian." [passage omitted]

Andrzej Micewski, journalist:

(PRZEGLAD KATOLICKI 26 November 1989)

"Catholicism is naturally a religion, and not a social ideology. The social ethics of the Church, however, inspire many of the faithful, not just in Poland, to organize under Christian democratic slogans. In the West, they are primarily conservative forces, competing with social democratic movements. In Poland, the appearance of a conservative, rightist movement and a

leftist, socialist Christian social movement could form a center caring, in accord with the recent Papal encyclicals, for the equality of labor and owners."

Jan Kofman, editor in chief of the political quarterly KRYTYKA:

(Interviewed by Jerzy Surdykowski, LITERATURA No 9, 1989)

[Answer] Obviously the opposition of left-right, around which many determined debates among the Polish opposition center, is also an internally empty stereotype, but it is powerfully entrenched, and so living. This division lost its sense together with the formation of contemporary industrial society, for the analysis of which Marxism, for example, is inadequate as are a number of other 19th century intellectual tools. But it turned out that the most horrible 19th century product—totalitarianism, whether of the right or the left—is still more anachronistic. I think that today the most important political dividing line is the attitude toward totalitarianism, toward democracy, toward human rights; today the debate about the future of the world, which by no means has been settled, centers around that attitude.

From a resolution of the PZPR Factory Committee at the Regional Internal Affairs Office in Opole:

(TRYBUNA OPOLSKA 22 November 1989)

"The investigative offices should in no case be used for political action nor be subordinated to any political party.

"Thus, in accord with the comment by Minister Cz. Kiszczak on the depoliticization of the investigative offices, the PZPR Factory Committee in the Regional Internal Affairs Office in Opole has decided to suspend party activity until the Sejm of the People's Republic of Poland adopts a law on the activities of political parties.

"Our decision is dictated by the fact that the greatest politicization appears in the investigative offices. Taking part in the discussion of the PZPR program and in the elections of delegates to the 11th congress, we can cause a distortion of the true state of the Polish left.

"The history of People's Poland has taught us that the political decisions made, which we had to execute in the existing system of forces, caused a negative attitude in society toward the militia, and we wish to avoid that in the future."

CZECHOSLOVAKIA

Economist Reviews Major Reform Tasks

90EC0180A Prague TVORBA in Czech 6 Dec 89 p 19

[Interview with Prof. Vladimir Kadlec, doctor of sciences, by Zdenek Jirko: "Prerequisites for Prosperity"; date and place not given; first paragraph is TVORBA introduction]

[Text] We spoke of the economic reform which we still do not have with Prof. Dr. Vladimir Kadlec, doctor of sciences (77 years old), a graduate of the Law Faculty of Charles University, who, beginning in 1945, was secretary to the governor of the National Bank, subsequently he was the general secretary of the Central Bank Administration. Beginning in 1949, he was in the national economic section of the Office of the President of the Republic, later he was on the Faculty of Economic Engineering at the Czech Technological University in Prague. He was a docent in 1961, a professor at the Advanced School of Economics in 1963. Beginning in 1966, he was the rector of the Advanced School of Economics; in 1968, he became minister of education for the Czechoslovak Socialist Republic. After 1970, he was a referent at a research institute. Prof. Kadlec has been a member of the CPCZ since 1945; beginning in 1966, he was a member of the CPCZ CC; he was expelled from the CPCZ in 1970. Currently, he is a member of the Rebirth Club for Socialist Restructuring.

[TVORBA] Beginning on 17 November, we have lived through 10 days which have awakened Czechoslovakia. Great words were heard and the bravery of students and artists awakened many a doubting soul. Previously, unprecedented facts, actions, and compromises became political realities. But life cannot be one large meeting or a fiery discussion. That is why the question as to what will come next, what will become of everyday cares is heard ever more frequently.

[Kadlec] In this case, the future ties in with the past and its values with exceptional accuracy. The new present is the rebirth of the historical trend involved in the liberation of man. The newly returned opportunities for plurality, for free elections, for renewing morale, for providing a true view of the world and of oneself—these are all basic conditions so that we can contemplate the future at all without tragic variations. The completely new atmosphere in society gives us an opportunity to consider actual economic reforms—in other words, to contemplate the circumstances which were somewhat suppressed during the days of maximum political tensions and dramatic events.

[TVORBA] But even in the midst of the unprecedented general strike, which was dominated by political, democratic demands, there were voices which spoke of social certitudes, of the future of individual enterprises, of wages....

[Kadlec] They could not have been heard if the people themselves had not opened a tremendous amount of political space. From this standpoint, we are looking at precisely the same situation which existed in 1968. And today's questions are also the same: How is it possible that many worked honestly and yet we are in such a difficult economic situation? Have we already reached the point of turnaround?

[TVORBA] And have we reached it?

[Kadlec] No. The existing government was more or less concealing the overall state of the economy. Although Premier Adamec did try to achieve some more realistic views, the fear of admitting the depth of the crisis, or rather, as expressed by some Soviet economists, the depth of the chasm of stagnation, precluded the admission of the entire fact and, primarily, "protected" the responsible representatives of the entire political leadership.

[TVORBA] I know that you do not wish to frighten anyone, that you are a realist. A condition for the solution of economic and all other problems is the absolute truthful analysis of the facts, causes, and consequences. Let us, therefore, descend into this deep stagnation and take a look around in it.

[Kadlec] I am for that. But first I would remind you of what Soviet economist Aganbegyan said. He recently stated that one of the reasons for the current crisis situation in the Soviet Union is the result of underestimation of the depth of the stagnation because of the frivolousness with which they approach the extent of the problems facing them in the beginning. Even in our country, we have some noteworthy proposals and variations. For example, Docent Komarek sees an enormous opportunity for the rapid mobilization of the domestic market as the fundamental motivational force. Without new rewards for better, higher quality, and more efficient work, we cannot advance. Also, the majority of the populace completely rightfully views the conditions of economic failure through the eyes of consumers. But soon, something else will appear. For at least 20 years of the Husak normalization, we lived here, essentially, at the expense of the future, we lived with the assistance of a special national debt, even though the nation was not to blame. It will, thus, not be possible to solve the situation merely by implementing anti-inflationary steps, but we will require an entirely new economic policy against which not even a single corner of our economy can close itself off, even if it shows the face of prosperity today and believes in the future. This economy is truly obsolete, it has a bad structure, it is unfamiliar with world markets and world markets do not know it; in brief, the sources which Komarek seeks so correctly and with originality can only be utilized in the domestic market with difficulty, even though the domestic market would require them.

[TVORBA] Are you, then, thinking about new investments in production? Of hundreds of billions invested in

new production shops, technological production lines, and transportation systems?

[Kadlec] But poorly invested. They virtually resulted in nothing. Far from it, I claim that we are standing at the beginning of a complicated process involving years of neglected modernization in our economy. It will not be for free.

[TVORBA] However, people believe that economic policy will begin to think of them. I believe that this was also a reason why they came together in the city squares.

[Kadlec] I agree. However, modernization will not pertain only to production, but to the entire social infrastructure. We are looking around within the depths of stagnation. We must, therefore, see the giant neglected apartment and housing inventory. We are dealing with more than Kcs 50 billion of admitted internal debt, and possibly 100 billion. Similar operations face us with respect to renewing communications, transportation routes, electric energy distribution nets, water distribution nets, sewerage networks, etc. Specialists will surely propose a chronological procedure for solving these consequences of a policy which deliberately deferred such matters. But money will be required in any case. And many of these problems are so urgent that deferral is not possible. And this is not only true of ecological problems.

[TVORBA] What else do we see in openly looking at the depth of stagnation?

[Kadlec] I believe that we must also see the capabilities, or rather the inabilities of people. The decline into the depth was virtually inevitable. Our conductors, who directed their steps in this direction unerringly, were incompetent and incapable people, primarily from the national economic center. And even though some knew a few things or were able to accomplish a few things, they obediently nodded their approval of nonsensical directives. Just note how late in the business the leadership of the party realized what it had caused by long years of suppressing democracy, discussion, and adversarial procedures. For years, pleasant reports were valued most, rather than knowledge or the ability to manage. In other words, we are facing the same operation as is faced by Gorbachev—we face the replacement of these players with cadres who are much more capable.

[TVORBA] To what extent does this apply to the enterprise sphere?

[Kadlec] We do not have other engineers, enterprise economists, or planners. However, the situation is not hopeless. Many capable specialists are concealed in their ranks, people who suffered considerably for their dissatisfaction with stagnation, wastefulness, and nonsensical directives. Others will appear tomorrow. Similarly, in 1968, when there was only a little opening for entrepreneurship and independence, new and capable specialists began to shine in each enterprise. Naturally, people with world experiences are missing and will be missing for

some time to come. And I don't mean only experiences based on foreign travel, but, primarily, on the spirit of the market, on everyday entrepreneurship, a certain degree of rapaciousness, foresight, willingness to accept risk, and, mainly, independent decisionmaking. To renew all this will be more difficult than to make correct investments. Let us conduct the reforms with consistency, but, with the same consistence, let us already be sending people into the world today, let us make it possible for students to not only do brigade-type assignments, but make it possible for them to actually spend some time in places where knowledge has progressed the furthest.

[TVORBA] I would say that, for our society, a certain paradox is now typical. A whole lot of people had stopped connecting their life successes with their work. This was not possible. Consequently, they looked around for ways to help themselves outside of their main work, outside the official economy. Work became something external. But we are convinced that under different conditions all of us, literally all of us, would succeed, that we know how to work. Let us say that we will change the economic mechanism relatively rapidly; but how fast will this psychology change?

[Kadlec] Certainly not immediately. What is needed is actual motivation. The existing "indicator" mentality can change rapidly if competition truly begins to have its effect, if people will see the immediate relationship between their work and their living standard, if they feel the effects of risk.

Of course, a whole lot of people will even be disappointed, let us say, disenchanted. Primarily because restructuring was being promised to them in the shape of the automatic increase in the standard of living. We no longer need the deliberate and even high-quality production of obsolete merchandise, inefficient although labor-intensive operations in the market, or heavy work on superfluous construction projects. Any kind of economic activity must make sense—sense that will be verified only by the marketplace. Yes, an improvement in working morale is necessary and possible. But conditions for its improvement must also change. Of course, what will be decisive will be thinking, contemplation of the market situation today, tomorrow, and in a year's time. Work must become long-range in character; then it will satisfy people to a much greater extent.

[TVORBA] Let us return to the reform. Where does the essence of long-term reform lie, which is the way toward a prospering economy?

[Kadlec] The fundamental touchstone is the creation of regulated market relationships. In my opinion, it is not possible to leap into a market economy with straight legs. We do not have balanced prices and, thus, not even any information regarding the efficiency with which individual economic entities operate. In such a situation, we must increase some prices. Former politicians had no stomach for this so they would not have to admit

unpleasant matters for which they were responsible. Similarly, future politicians will probably also not want to go this way. After all, they will be interested in the votes of the electorate. But if prices will not be in order, then the economy will not be in order. That is why we need well-calculated variable proposals from economists, but also the analyses of sociologists and the wisdom of politicians so as to be able to rationalize prices. Certain sacrifices are inevitable—be they in the guise of higher intensity and efficiency of work, or directly in the marketplace in the guise of certain increases or, as used to be popularly said, involving price adjustments. That is why it is immensely important for the trade unions to begin playing their role and for these questions to be sensibly discussed. The marketplace is supposed to bring us efficiency, but social standpoints, basic social interests, must be taken into account, lest a new phase of social disruption become a threat.

[TVORBA] Is the way toward balanced prices only upward?

[Kadlec] I would terribly much wish that this movement could be bilateral, but until the government comes up with a realistic picture of the true status of the economy we shall probably not avoid an overall even if not necessarily dramatic increase. Here, there is no longer any room for such old little deceptions such as lowering the prices of pipe organs, but raising the prices of footwear. Here, social compensation will also be important. The weakest cannot, after all, fare the same as the others. "Debts" from the years of stagnation, however, will not be paid for us by anyone else; and this would not even be healthy. But we need not be frightened; we are not dealing with the elimination of the standard of living, but with certain temporary sacrifices.

[TVORBA] Okay, let us continue about the reforms.

[Kadlec] Today, it is being officially proclaimed that we must manage the economy solely with economic instruments. But what kind of shape are they in? How do we hope to manage with our insignificant credits which permit the investment of cheap money and make it possible for enterprises to create excessive unusable inventories? How do you figure on managing given the unrealistic rate of exchange for our currency? Although we have various new laws, even laws pertaining to planning, the basic economic conditions for actual reform have thus far simply not been fulfilled.

[TVORBA] We are embarking from one shore, at which we no longer wish to look, to the opposite shore. Do you, comrade professor, see a bridge or a ford by which it is possible to cross?

[Kadlec] The original shore, that is to say, the present situation, is already crumbling. Naturally, there are several ways to the opposite shore. Perhaps even along the deep bottom, as is the case in Poland. In actual fact, we need a serious analysis of the problems and hitherto inefficiently utilized resources, an analysis of the state budget, of the balance of payments, of material

resources, etc. Then we can seek a way. In Czechoslovakia, there exists much good work indicating what we should accomplish in the long run, but, for the present, very few people have dared to specifically solve the transition from centralism to a market economy. Economists must come to an agreement with respect to this matter with politicians. They must come to an agreement primarily with regard to transforming the enthusiasm of students and actors into enthusiasm on the part of society. The basic political and moral prerequisites for this, I hope, have already been created and others will be added.

[TVORBA] We have here, however, also the problem of the very likely definitive lack of future prospects for some enterprises and production sectors.

[Kadlec] Yes, but let us not approach this problem like the State Planning Commission. No more directives and bureaucratic decisions. The collectives at these enterprises must be given the opportunity and the room to make changes and, in selected cases, even be assisted by the government. Changes in the national economic and production structure are most effective when they are based on the objective interests of enterprises which are hard pressed to flexibly acquiesce to the marketplace. Such a method seems the most useful to me. In this regard, an important role can be played by the adversarial international financial institutions. At the International Monetary Fund and at the World Bank, they will readily tell you for what they would lend you money and for what they would not lend you money. You can rely on such information; it is provided by people with a world view. Poorly chosen investments burden even the next generation with their inefficiency.

[TVORBA] Do you consider this approach as being key even from the standpoint of the progressive dematerialization of the economy?

[Kadlec] From comparisons with the rest of the world, it can be seen how much energy, materials, building materials and other resources we are virtually tossing out of the window. This will not be solved by additional limitations, prohibitions, and allocations. A turnaround can be brought about primarily by a completely new type of motivation for enterprises to produce at minimum cost, to produce and export their work, and not, as had been the case hitherto, to be selling "standing timber."

[TVORBA] And we are already at the opening of the economy. However, the cruel winds of the world market do not stop at anything; their hygienic significance is always also accompanied by pain resulting from such a cure.

[Kadlec] External competition is no reason for protest. It must lead to a search of one's conscience, but not to calls for protectionism. In practice, it is possible to give the enterprises time—one, two, five years—to gradually adapt. But then it will end, additional delays and exceptions are not possible. I stress the finality of such solutions because many in our country have become

accustomed to exceptions as a permanent status, they have become accustomed to constantly avoid the accepted rules of the game. This will no longer be possible. He who does not make use of his opportunity must simply go under. Primarily, so that the rest of us would not have to continue to keep paying for the so-called interests of individual enterprises or groups in the economy.

[TVORBA] Could your approach be defined as a modern socialist policy?

[Kadlec] I believe so. I believe that this is precisely what is involved in this country. Sedatives abate pain, but do not cure the disease. And we must, at last, look truth squarely in the eye.

New Economic Laws Approved; Budget Moved to March

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[Article by Marie Koenigova, Daniela Mannova, and Miloslav Vltavsky: "Proposed State Budget To Be Presented in March"]

[Text] With the approval of four laws which are essential to the functioning of the economic mechanism as of 1 January 1990, the joint session of the chambers of deputies of the Federal Assembly of the Czechoslovak Socialist Republic continued on Wednesday. The laws were the Law on Payments to the State Budget, the Law on the Income Tax, and an amended law on agricultural taxes, the Law on Banks and Savings Institutions, and the Foreign Exchange Law. The delegates also approved the amendment to the Criminal Law and the Criminal Code. The chairman of the Chamber of Nations, Anton Blazej, once more opened the question pertaining to the method by which the president of Czechoslovakia is to be elected and appeared before Parliament with a proposal on how to activate the Federal Assembly.

The minister of finance for Czechoslovakia, Vaclav Klaus, stated that, in view of the changes in the composition of the Government of Czechoslovakia, it was impossible for the government to present the state budget in its original form. Among other things, this variation of the budget does not meet the aims of a more balanced, more stable, and anti-inflationary budget. However, it is not possible to frustrate the budgetary safeguards. Therefore, considering the given situation, the government feels that it is sensible to propose certain compromise solutions for questions of budgetary management for next year. Vaclav Klaus asked the Federal Assembly not to handle the government proposal for the state budget of the Federation for 1990 at this time and suggested that the budgetary management for the economy, for the period from 1 January 1990 through 1 March 1990, be based, for the time being, on global annual figures taken from the previous budget, which had been presented to the Federal Assembly. This means managing with a figure of Kcs 330 billion, with the

proviso that, during the 1st quarter, less than one-fourth of the originally contemplated funds—22.3 percent—would be used. During this period, everything dealing with the social sphere would be prioritized by 25 percent. In contrast, subsidies to economic organizations and unified agricultural cooperatives would be drawn from a maximum of 17 percent of the funds.

The 1st quarter of 1990 would, thus, be a period of a provisional budget. Revenues and expenditures during this period would be accounted for in the state budget after it has been definitively proclaimed, a time which, the minister said, we anticipate to be in March of next year. The reasons for the delay are as follows: the state budget cannot but react to the changes in society and the political situation in the country. The needs of a radical economic reform must be taken into account. The budget must be brought into harmony with the programs of the government.

The Federal Assembly expressed its approval of the proposal presented by the minister of finance.

The Law on Payments to the State Budget, Minister V. Klaus stated, is based on the same principles and he suggested that it was impossible to retain the present legal basis for payments to the budget in 1990—a law which is based essentially on the individualization of payment rates for enterprises, on high rates of budgetary payments for redistribution, leaving only little room for the self-financing of enterprises and which is also based on extensive reductions in payments and subsidies. The modification of the law brings about desirable elements—particularly objectivity, the unity of payment rates, lower taxation of profits, it removes any kind of possibility for redistributing resources among enterprises as well as between enterprises and industries, enterprises become direct payments entities, payments based on write-offs for capital assets become insignificant only in the case of programs involving the cessation of activities. The minister expressed his view that, in the event it becomes necessary to change the law during the radical economic reform activities, this would be done.

Apart from two fundamental payments provisions—taxes on profit and taxes on wage volume—the proposed amendment of the tax law also contains regulatory and price payments. After evaluating all positive and negative lineal and progressive taxes on profits, a lineal tax rate was worked into the government proposal—a rate of 55 percent, excluding state monetary offices and insurance institutions, where the proposal rises to 65 percent.

However, Minister V. Klaus did not find things to be quite as simple when he spoke of the subsidy policy; he used the words...so that we would demonstrate the beginnings of pressure being exerted upon the economic sphere...words which did not pass without notice. The words spoken are not words on paper, the difference between the funds referred to (17 and 25 percent) can be a reminder of a hard incursion into the economy. A whole lot of enterprises are already insolvent now and it

is difficult to imagine the results of these provisions in the factories and in the fields. Insolvency among customers soon results in insolvency among suppliers. Such provisions could have even worse effects in agriculture, where the majority of agricultural activities are not profitable. The lowering of subsidies could have a detrimental effect, for example, on the production of milk and other foodstuffs essential to the nutrition of the population. At the recent Congress of Unified Agricultural Cooperatives, actor Vladimir Kratina, as representative of the Civic Forum organization, said: "Thanks to you we still have enough to eat."

Similar thoughts are obviously on the minds of many, including delegate Frantisek Stafek, who reacted during the discussion. He expressed his approval of much of what had been said, but wanted a clarification as to the meaning of the restriction on subsidies. Must they be so extensive? Will this not threaten the market in foodstuffs or are our cooperative farmers managing so poorly? And would not the measures which were discussed result in unemployment as early as next year? "If we reduce subsidies for factories by one-third—factories, one-third of which are already insolvent today—then, following such an incursion, half of them may be insolvent and this can then pose a threat to the smoothness of development in the national economy," he reiterated his specific fears to us later when we asked him why he had reacted so swiftly.

He said he did not want to change the position of the government, but wanted everyone to be clear on what was going on. So clear, in fact, that there would later not be any unclarity in election districts, in plants, in the agricultural sphere.

Minister of Finance Vaclav Klaus also wanted to have clarity. "I said nothing about threatening the market in foodstuffs or of unemployment, or of reducing subsidies by one-third. I did say that subsidies also partially involve the question of seasonality, so that 17 percent does not mean reducing subsidies by one-third."

His subsequent statement provided confirmation. "We will really be striving to find the most rational methods to see how slightly, how gradually we can lower subsidies; we will most certainly elect a mixed form of across-the-board or selective reductions which would make it possible for all of these necessary changes to occur with the minimum amount of social vibration and with the minimum disruption of the function of the economy. But the proposal does not so state."

The proposal for an amendment to the criminal codes was justified by Jan Carnogursky, the first deputy premier of the Government of Czechoslovakia. In his introduction, he stated that social relationships during the current complicated period are developing extremely rapidly. However, he said he could state that there is basic agreement between the government, between the political parties and the other political forces, represented particularly by the Civic Forum organization and

by the Public Against Violence organization, that the current political crisis must be solved on the basis of constitutionality and legality.

As he further stated, the proposed amendments, which were originally presented to the Federal Assembly, contained many progressive provisions, but also some with which we can no longer be satisfied today. In the current phase, however, the decision had been made to execute the amendment to the completely minimum extent possible. Among others, the minister proposed that Section 101 of the Criminal Code on misusing religious functions, Section 178 on oversight of ecclesiastic and religious communities, and Section 211 on violations of family law, be rescinded. A new approach is undoubtedly also required by the rescission of existing provisions regarding leaving the republic—these provisions are to be replaced by provisions prohibiting the crossing of the state border with the use of violence.

The minister considered it important to eliminate the legal provisions of the Federal Assembly, dated March of this year (they increased the criminal sanctions imposed for violating the public order) which are in conflict with the development of society and with international obligations.

The Criminal Code is unavoidably in need of a more detailed arrangement of the guarantee against the most serious incursion into the personal freedom of the citizen, represented by the imposition of incarceration. Consequently, it is proposed to restrict the use of incarceration in pretrial proceedings and the authority to extend the term of incarceration is being interpreted with substantially more rigorous provisions.

In the discussion on amendments to the Criminal Code, some delegates favored rescinding the death sentence in Czechoslovakia. Delegate Ludek Kapitolo stated that although international obligations do not exclude the existence of the death sentence, they undoubtedly view it as being undesirable. In a number of countries, therefore, consideration is being given to its discontinuation. Delegate Stanislav Hanak stated in this connection that punishment should not be society's revenge, but rather an educational device. J. Carnogursky reacted to the statements. He said that society would have to take a position on the death sentence—or at least a substantial portion of society, as it was represented in the legislature. In the originally prepared broader amendment of the Criminal Code, the death sentence was retained for the time being. The government will take into account the development of views stemming from society and dealing with this problem and will work them into any subsequent amendments. Delegate Eduard Vlcek also spoke on the death penalty. Over the last 15 to 20 years, he said, the death sentence was practically only imposed in this country for murder committed by an objectionable method or for the murder of several persons. However, he drew attention to the changeable nature of public opinion. The death sentence is considered in different terms when it is contemplated generally and

theoretically and elicits different reactions in the area in which the murder occurred.

Minister of Finance Klaus spoke for the government again on the problem of the income tax. The proposed taxation rates for individual groups of taxpayers, as can be seen from the proposal, stems from the requirement to create a relatively equal tax obligation for all economic organizations. With respect to state enterprises, whose founders are the national committees, with respect to production cooperatives and other domestic organizations, including social organizations, a marginal tax rate of 55 percent is proposed, where the tax base exceeds Kcs 200,000. For banks and insurance companies which will be established as cooperative enterprises or as stock companies, as well as in the case of cooperative enterprises for foreign trade, the same tax rates are being proposed as the rates applicable for payments to the state budget. For enterprises with foreign property participation, it is proposed to retain the existing tax-advantaged rate of 40 percent.

The same minister also justified the proposal for the foreign exchange law which is based on the principle of foreign exchange self-financing.

Substantially more liberal provisions will apply to the foreign exchange relationships of physical persons who have essentially only one basic obligation today, which involves the transfer of property values which they own abroad to Czechoslovakia and the deposit of these values in their foreign exchange accounts. The Foreign Exchange Law guarantees them that the monetary institution is obligated to establish an interest-bearing foreign exchange account for them. Citizens with such accounts can use them freely, both domestically and also abroad. In particular, they can use these funds to travel abroad, to purchase merchandise or services, but they can also transfer funds in the accounts to other citizens.

The amendment of a law covering special contributions for miners, which was discussed by Minister of Labor and Social Welfare Petr Miller, makes it possible, for a limited time, to grant special contributions—in addition to those already granted by the law—even to people who will need to transfer to other work sites as a result of the discontinuation of mining operations.

Toward the end of the session, Stanislav Kukral, the chairman of the Federal Assembly of the Czechoslovak Socialist Republic, stated that he had received two proposals from initiative groups of delegates covering the method for electing a president. One proposal called for a people's referendum, the second dealt with the application of the constitutional right of the Federal Assembly to elect the president. These proposals reflect the discussion which took place the previous day. The first proposal calls for citizens to directly and secretly elect a president from among numerous candidates. The second proposal, as spoken to on Wednesday by J. Andrs, represents the election of a president by a reconstructed Parliament, that is to say, a body in which some

delegates would have to give up their mandates and would be replaced by new delegates elected in by-elections.

J. Bartoncik, the presiding officer, ended the discussion by stating that the Presidium will take both proposals into account and that the method for electing a president will be decided upon by the next joint session of the legislature.

During the session, the Federal Assembly and individual delegates were receiving telegrams containing views regarding the method of electing the president of Czechoslovakia. These telegrams numbered more than 50 and, with a few exceptions, favored a people's referendum. A request for the delegates to hear out the voice of the people of this republic and to support the election of a president through popular voting in these moving times when the internal political situation in our country is so acute was submitted by members of the Border Guard at Usti nad Labem. Popular election involving numerous candidates was also supported by members of the Teachers' Forum at Boskovice. The municipal center of the Democratic Forum of Communists in Mlada Boleslav considers this form to be the only democratic one in the current political situation. The same spirit permeated the written positions submitted by the 11th Basic Organization of the CPCZ at the Motorpal Plant at Jihlava, the newly elected enterprise committee of the Revolutionary Trade Union Movement at the Gustav Kliment Plant at Trebic (after familiarizing the employees at the plant with the substance of the proposals), by the municipal advanced school council of the Socialist Youth Union in Prague, by the employees of the Pleas Plant at Plana, by the unified agricultural cooperative at Dusejov, by the employees of the Nisa Plant at Jablonec nad Nisou, by members of civic forums from Nove Mesto na Morave, from the Potraviny stores at Jihlava, from the North Bohemian Directorate of Communications. A number of telegrams were also signed by individuals. The names of candidates which appear in the telegrams and letters include the names of Cestmir Cisar, Vaclav Havel, and Ladislav Adamec.

During the course of Wednesday, the presidiums of both houses of the legislature met in order to take cognizance of the resignation of delegates: in the People's Chamber—Milos Jakes, Mirslav Stepan, Ladislav Stejskal, Vaclav Rabas, and Zbynek Zalman; in the Chamber of Nations—Josef Riman, Viliam Salgovic, and Jindrich Zahradnik. As a result of this action, the mandates of these delegates expired.

On the same day, the Presidium of the Federal Assembly appointed Academician Milan Cic to the position of deputy premier of the Government of Czechoslovakia, publicized the laws approved at the 12th session, and elected Blanka Hykova to the position of verifier for the Chamber of Nations, and confirmed Frantisek Stafek in the equivalent position in the People's Chamber.

First Private Hotel Operation in CSSR Viewed
*90EC0164B Prague HOSPODARSKE NOVINY in
Czech 1 Dec 89 p 4*

[Article by Jaroslava Markova and Milan Srb: "The Only One for the Time Being—How the First Private Hotel Came Into Being and Is Prospering"]

[Text] Mr. Liman, he who used to carry the billy goats Lukes and Bobes and the nanny goat Junta in his snow-white Ford automatic, and not even his heavy partner Leli, he who died on the highway trying to save his legendary tripe soup for his buddies, would probably not be coming here. Despite the fact that it is in Kersk, in this forested town which is allegedly divided and numbered in accordance with the plan of New York City. You will not find the magic of unique popular characters, the specific unique figures and figurines at the Alberon. And you will not even perceive the beautifully wistful poetry of Hrabal's uninterchangeable storytelling art. Here, the atmosphere is simply different.

Together with my Yugoslav colleague, my fellow journalist from the economic daily PRIVREDNI PREGLED, Lydia Cocajov, who wanted to find out, among other things, about the opportunities for private entrepreneurship in our country, we stopped before a neatly arranged garden. Next to the entrance and the bell, a neon sign glows with the inscription Alberon. We enter a pretty villa, illuminated from the outside, where we are awaited by Ivan Hribal, who was originally an auto mechanic. Today, his business card says "Innkeeper." He is 32 years old and, for eight years, worked at the Hotel Beranek in Prague 2, initially on a part-time basis, later fulltime. He is enterprising, which is attested to, for example, by the fact that he has already tried the sale of popcorn—in other words, roasted corn kernels.

Not quite two years ago, he and his friend Jaroslav Karan learned that the CKD Enterprise would be selling its local recreational facility. They tried to acquire the facility for almost a year. Always, whenever it seemed that they would "get the nod," a new potential buyer from among the enterprises of Prague would show up. And, as a socialist organization, they had precedence over private individuals when it came to the right to buy. However, as soon as the interested enterprise saw the state of disrepair of the facility, it abandoned its intent. The pair tried for a long time to buy the restaurant and dining room in Prague 9, but when the enterprise became a state enterprise they no longer had sufficient funds to accomplish the purchase.

The present facility dates back to 1939 (it was originally a privately owned villa) and, including part of its equipment, cost Kcs 400,000. Approximately the same amount was invested by the new owners in repairs and in rendering the facility operational. "We put our money together ourselves, we borrowed some from friends. The savings and loan bank did not give us a loan until later, approximately Kcs 280,000 with a five-year payback time at 8-percent interest. We had to have eight cosigners

and we will pay approximately Kcs 60,000 more than the loan in payments," says I. Hribal.

The purchase agreement was recorded on 1 June of this year, but the new owners already had keys to the facility as of 19 May and had the agreement to begin work reconstructing the facility. There was no running water, the toilets did not work. First, it was necessary to chop down everything on the lot, clean everything out, remove old paint, of which there were five layers. They used virtually two tons of paint. The facility was operational within 10 weeks. They did everything without the assistance of a construction enterprise—with only the help of friends.

Why did you give up your position as a waiter in an established hotel? You were certain of your income there, surely, we ask. "Oh, yes, but at what price? Here, I can do as I please and how I please," he responds. But, we interject, you certainly have very little free time. "That is a legality involved in every enterprise—one cannot look at the time. I am here virtually continuously."

How many negotiations with officialdom did you have to go through, how many permits did you have to acquire before the hotel became operational? we ask. "It is perhaps not calculable. Legal advice and specialized opinions were provided for us by the legal faculty of the Purkyne University in Brno. Everything was terribly full of problems. But they continue because some people continue to try to make our work more difficult. And envy plays an almost unbelievable role. There are even enough anonymous letters. And so there are more sessions with officialdom, even more than before we opened."

These most varied problems tend to discourage a whole lot of potential entrepreneurs. Why did they not discourage you? "I have such an attitude that if I decide to undertake something, then I want to accomplish it. I am amused by it."

And you were not afraid of the risk? Were you not afraid that conditions might change, that the enterprise, once it is "operating," could be taken from you? "I was not afraid," Hribal responds with a smile, "you know, I believe that the situation can no longer change. I believe that today all economists and responsible managers in the central authorities are aware that without private entrepreneurship the services will not improve."

Could you tell us where your negotiations were the simplest and where, in contrast, you encountered the greatest difficulties in acquiring the necessary documents? "The chairman of the local national committee here at Hradistko, Antonin Cerny was very helpful to us. Even before the purchase, I explained to him that we do not wish to open a tavern, but rather a pleasant facility for local citizens and for visitors from surrounding areas. On the other hand, there were difficulties in negotiating with the Ministry of Trade and Tourism of the Czech

Socialist Republic as well as in negotiations with the Okres National Committee for Nymburk."

Yes, it is not a tavern. It is actually a facility which serves as a pleasant place in a pretty excursion location and this is precisely why it will be more likely to be patronized by visitors from Prague, from nearby Podebrady, and from other more frequented locations who will come after good food and drink, rather than attracting the locals. Even the prices of the foods in Category II with a surcharge of 20 percent attest to the fact that the middle generation is more likely to patronize the facility—the generation which likes quiet privacy and which will obviously object to the continuous flow of video clips, mixed with additional decibels emitted by hard rock music which flows from the bar next door. For the time being, the incongruity of the wall decorations lacks something as to style. Also, the ashtrays and other advertising supplements provided by the Marlboro Co. are an attraction more for the young (incidentally, the origin of these articles is prosaic—no advertising, paid for by this firm, but rather Ivan Hribal, as a long-time collector of this firm's souvenirs, has now made ready use of these items in his enterprise). For the time being then, the atmosphere of the restaurant is not clearly defined. It will obviously become crystallized in time, depending on the types of patrons, and the character of the environment and the services offered will be adapted accordingly.

Prices are the same for natives as well as for foreigners who pay in korunas. Not in foreign exchange. The restaurant can accommodate 36 patrons, the bar has room for 8; others can be accommodated on the terrace in the summertime. The facility is open Tuesday through Sunday from 0800 hours to 0200 hours. Only Mondays, in the interest of cleaning up, opening is delayed until 1900 hours.

The menu has 11 types of meals (we liked the supper which we ordered) and the offering of drinks and cigarettes is relatively rich. And so we asked about supplies. "I buy everything retail. Even though I am entitled to receive wholesale deliveries of some merchandise, it is difficult to get anything here. I prefer to buy everything myself." But then you lose out on rebate, we interject. "With respect to drinks, I am entitled to a 30-percent rebate, with meat the amount is 7 percent. But can you visualize the amount of unusable parts which I would have to cut out of meat, for example? I go to buy cigarettes, let us say, as far as Jicin, which is approximately 60 km away. I visited my former place of employment where they only had two types of cigarettes, Sparta and Clea. I cooperate with a private grower of vegetables from Semice and Prerov nad Labem, who are the only ones who deliver merchandise to me here. The same is true of a grower of mushrooms. At one time, I used to haul supplies with a Lada Kombi automobile; now, I have a Ford Transit. I drive approximately 100 to 200 km per day."

We noted that the main entree offering only included fast-food items a la minute. "This is the second menu since we opened the hotel; in time, we will also have daily offerings. And moreover, for hotel guests we will

cook things to their order. However, we had to give up serving complete meals. According to the hygienic rules, a sirloin of beef, say, may not be served anymore after 4 hours and must be thrown out. Even though every cook knows that it is better the next day," explains I. Hribal.

In answer to the question as to where the new owners acquired the necessary equipment for the kitchen and the bar—they have an espresso machine, a deep fryer, and other appliances of foreign origin—we find out that everything was purchased through the Bazar Enterprise, that everything represents items which have been scrapped or possibly written off by state enterprises.

Currently, three waiters are working at the Hotel Alberon (or waitresses) and two cooks. They all share in cleanup operations and in all other necessary work. They are not employees of the owners of the hotel. Each has his own permit from the national committee to provide services. However, these permits were not issued to people practicing this profession, but rather to "employees engaged in the serving of food" and "employees engaged in the production of food." This is again only an administrative matter. The waiters work 6 days and then they have 3 days off; the cooks alternate working the so-called long and short week. During the "long" week, they are here on Mondays and Tuesdays and then again from Friday through Sunday; during the "short" week, they work only Wednesdays and Thursdays.

As I. Hribal tells it, in the state-run catering business, these people would have a salary of approximately Kcs 1,800 because the catering industry automatically assumes that they will be earning something "on the side." Here, they earn approximately Kcs 5,000 and all share in the gratuities.

The Alberon is, naturally, not only a restaurant. It is the first privately operated hotel. It offers accommodation in 12 rooms in the main building and in cottages located about the grounds; it has a total of 30 beds. Why do you offer such inexpensive accommodation? we ask. Is it worth charging Kcs 50 for a room with two beds and Kcs 30 for a single? "In our establishment, the accommodations are more of a 'present,' the price is sufficient to cover the cost of the maid service and the laundry. Sometimes, a guest will pay Kcs 500 for a night and will go eat somewhere else cheaper. We want things to be just the opposite here. We make 'a living' off the consumption in the restaurant."

But there are quite a few visitors who come by automobile. So you must obviously be earning the lion's share of profits in terms of meals. How is it that you are successful, despite the fact that you do your purchasing at retail prices? Some time ago, we published a series of articles in HOSPODARSKE NOVINY dealing with losses in the catering industry in which many responsible workers claimed that the only profits to be made can be made on alcoholic beverages. "This is not so, you can earn profits on meals as well. But there must be an

interest in offering the patron that which he wants. Not like in the state sector," says Hribal with emphasis.

In Yugoslavia, entrepreneurs frequently offer only a bed, a meal, and the ocean. But that is too little. What additional services do you offer here, our Yugoslav colleague wishes to know. "Now, there is not a whole lot, for the time being only the opportunity to take walks in the surrounding nature and in the summer there is the sunbathing terrace. This will soon improve. We have ordered custom-built bicycles—two-wheel and three-wheel bicycles, naturally, we ordered them from a private supplier—they will be cheaper. Next year in the spring, we will have an operational swimming pool and a sauna, there will perhaps also be a tennis court which is located on the adjoining lot; we want to agree on a rental proposition with its owner. Other than that, we have a video and dancing in the evening. However, patrons are here, for the most part, on the European plan—after breakfast they usually travel to Prague, to Podesbrady. Hotel guests also include foreigners. I knew a number of them from my previous employment. We have also had tourists from West Germany, from Austria, Italy, and from your country—from Yugoslavia. Today, we are virtually fully booked for all of next year."

Lydia Cocajov still has one question: I know that private entrepreneurship in the service industry is now being supported in Czechoslovakia. What kind of tax advantages do you have? "For a period of two years, we pay 50 percent of the tax on profits, that is to say, 30 percent. And then? I believe that the law will change, that taxes will be lower. After all, they are so high today that they represent one of the main reasons why nobody wants to do this sort of thing. And if the state intends to develop services in this form, I believe that changes in the law must come. For example, I cannot even write off the dishes and glassware I use. Only toilet paper and soap are write-off items."

How do you make out with inspections which are surely not a rare event here? we ask, because the experiences of all pioneer private service providers are similar. "We established the entire enterprise from the beginning on the basis of hygienic standards so that the public health employees were satisfied," responds I. Hribal. "We were also visited by inspectors from the Czech Pricing Office on the basis of allegations that the services provided were not properly categorized in price groups. Also, inspectors from the Czech Commercial Inspection Office turned up, but as members of this commission admitted, they were driven to come here more by curiosity. After all, we would be working against ourselves if we cheated our patrons. We are interested in having them return to us. This is the only thing that can bring us the required profit and job satisfaction."

Construction of Controversial Stonava Plant Postponed

90EC0176A Prague RUDE PRAVO in Czech
15 Dec 89 p 1

[Article by CTK News Agency: "Construction of Stonava Coking Plant Postponed"]

[Text] On Monday, 11 December 1989, while discussing information regarding the current status of development, the Directorate of the OKD (Ostrava-Karvina Mines) Concern decided to postpone the development of the new OKK (Ostrava-Karvina Coking Plant) at Stonava. In response to a question by a CTK News Agency reporter as to the reasons for this decision, Josef Kaniok, chief of the expertise, methodology, and investment planning section of the OKD Directorate and deputy vice president for investment of the OKD Directorate, made the following statement.

"Realization of a capacity to produce 1.2 million tons of coke annually is inefficient for the OKD Concern under current economic conditions because the profit recovery cycle is approximately 30 years and the reproduction recovery cycle is about 23 years, with the life expectancy of the technological installation being 20 years. Thus far, there has been no decision regarding state participation—subsidies—for the realization of this project. Thus far, there has been no decision regarding loan participation on the part of the future investment bank, which has said that, given the inefficiency of this project and the insolvency of the OKD State Enterprise, credit participation is unlikely. Also, the documentation of the project with respect to so-called ecologization has not been reworked with participation by supplier firms from the FRG. Requests for proposals and offers pertaining to this supplemental technological installation have not been concluded.

"Czechoslovak-Polish negotiations regarding the problems of constructing this enterprise have not been concluded; the last written position received from the Polish side called for moving the construction site of this coking plant a minimum of 20 km from the Czechoslovak-Polish border. The negative position taken by the okres hygienist at Karvina regarding the realization of this project persists."

Does this mean, then, that the intentions to erect a new coking plant have definitely been terminated?

"We can adopt a definitive decision only in close contact with the unified management center in conjunction with making the conceptual plan for the development of Czechoslovak metallurgy and coking more precise. Also, there are other considerations regarding the construction of the coking plant which is economically efficient, that is to say, which has double the capacity, as a result of possible successful negotiations with the Polish People's Republic and the Federal Republic of Germany regarding capital and supplier participation in the project. This fact could exert a positive influence upon the environment on both sides of the Czechoslovak-Polish border in conjunction with halting the operation of obsolete coking plants in the Czechoslovak and Polish border areas (on the Czechoslovak side, the 'Czechoslovak Army' Coking Plant at Karvina, possibly also the coking plant at the Trinec Iron Works, State Enterprise). Of course, this variant requires that urgent negotiations be conducted at the level of the central organs."

GERMAN DEMOCRATIC REPUBLIC

Agricultural Communes Reassess Profit Sharing, Ownership

90EG0091A East Berlin NEUE DEUTSCHE
BAUERNZEITUNG in German 8 Dec 89 pp 4-5

[Article by Prof. Dr. Wolfgang Gampe, College for LPG [Agricultural Growers Cooperative] Meissen, and Fedor Blum, chairman of LPG Freitelsdorf and the Cooperative Council Ebersbach, kreis Grossenhain: "Interest for the Stockholders—Financial Investment in the Growth of the Cooperative Net Asset Value Offers Additional Material Incentive"]

[Text] When discussing the reorganization taking place in agriculture the term ownership is frequently mentioned in the context of the cooperatives' development. In hearing this, some might even have nostalgic notions of the idyllic scene of a single-farmer operation. However, this is what we actually mean: There is ample evidence that the latter has no prospective. Those who are old enough to remember the fifties in our villages will recall the arduous workday, the lack of leisure time, social security or cultural enjoyment. Both authors of this article have brought rural ownership into the LPG, meaning they know it from their own experience.

Even today the family farm in the FRG or in Poland is a place of tough economic struggle for existence. Not only impressive rates of increase in labor productivity are a typical occurrence in the agrarian sector to the west of our borders, but at the same time also falling incomes, high credit debts, superannuated farm owners and bankruptcy. In short: In our regions farmsteading is simply no longer a solid model for the organization of agriculture, even less so under socialist production conditions. The LPG's are now and will remain the basic units for farming.

Given everything that has been achieved in the cooperative sector since the establishment of the first LPG we must examine, however, why the rate of development, particularly that of efficiency, has lagged behind the actual possibilities. Clearly, the LPG farmers' alienation from their cooperative property plays the most significant role here. It intensified after the erroneous orientations forced by the SED's [Socialist Unity Party of Germany] party leadership after 1970: Away from the "well-rounded," distinct cooperative, toward large specialized units guided primarily by technical and technological concepts.

The Farmer Shall Have the Feeling of Being Coowner

It is important to restore this consensus to develop new potentials for the growth of efficiency in agriculture. The main concern is to have LPG members share in the profit of joint farming much more effectively than was the case in previous years. The sense of being collective coowner must be revived. We agree with others that this

is a characteristic of the cooperative performance principle. The LPG's have available thoroughly proven forms of material incentive, among which are remuneration, premiums, acknowledgement of cost savings and innovations, payments in kind (or the corresponding compensation), as well as land shares. But we feel it is appropriate to further challenge the interest in high performance.

Therefore we suggest to also utilize financial shareholding as an incentive factor. In our opinion this is better suited than the members' immediate share in the achieved profit or loss, which was put up for discussion by various economists. The latter would result in substantial fluctuations of personal income every year, which in our time are no longer appropriate, for social reasons alone. On the other hand, being interested in the highest possible interest rate for capital stock amounts contributed to the LPG or (particularly in the case of young members) stock amounts acquired in same would have a clearly positive effect. Attention would be directed immediately to the agreement of personal, cooperative, and economic objectives.

Member Has Option To Bequeath or To Sell

How should shared ownership be reactivated or organized? Our suggestion provides three sources:

1. Use of a percentage share—to be determined in the LPG—of the members' indivisible fund contributed to date.
2. Voluntary participation by members, who previously did not make a capital stock contribution, with funds from their remuneration and premiums.
3. The interest from the ownership share.

The participation in shared ownership might take the following form:

- Only members of the respective LPG are entitled to acquire shares from the joint fund, which are committed to the individual member, but may also be bequeathed. The LPG's plenary meeting so decides upon application. An acquisition obligation does not exist.
- If a cooperative member leaves the LPG it may leave or sell its share to active LPG members or offer for purchase it to the LPG itself. Details to be determined by a shareholders meeting.
- The basis for the interest rate of the share is the achieved fund profitability, the source of financing is the gross profit. The ownership share does not bear interest unless the member demonstrates work performance according to his abilities. Annuitants are entitled to the interest without this condition. The amount is paid following the approval of the LPG annual report in the shareholders meeting.
- The shareholders meeting decides upon capital investments ensuring a growth of production and efficiency. At the beginning of the annual planning

the LPG board also submits several different plans; upon approval of the plan a quarterly check for compliance with same is made in all brigades.

- Board and chairman are answerable to the shareholders meeting on a regular basis.

Directing the shareholders toward a high level of efficiency growth will no doubt increase the will to work and produce, result in a higher degree of work discipline, willingness to accept responsibility and risk, increase pressure to produce on LPG board and management. Furthermore, this is among the most important conditions for consciously acting upon cooperative democracy.

We are planning to try this economic experiment in 1990 in the Freitelsdorf livestock production LPG. At the end of the year the result will be analyzed.

Threat From Pesticides Outweighs Maximum Yield Concept

*90EG0090A East Berlin NEUE DEUTSCHE
BAUERNZEITUNG in German 8 Dec 89 pp 6-7*

[Article by Georg Martin: "Farewell to Maximum Yield? Crop-Protection Specialists Met in Berlin: In the Interest of the Environment, Chemical Agents Are Being Used More Sparingly and More Selectively"]

[Text] Reject chemical plant protection across the board? That might be easy enough for those who are not among the 800 million people who are not able to provide for themselves sufficiently or, even worse, among the 500,000 in danger of starvation. For these inhabitants of the earth it is grim that one-third of the world crops fall victim to disease and pests. In our country as well, one-fifth of the agricultural production is lost as a result of this. In spite of this, nobody here has to live in want. The situation might possibly be otherwise if our crop protectors didn't know their stuff as they do.

Anyway, this can be gathered from the report presented by Prof. Dr. Hans-Joachim Mueller, director of the Institute for Plant Protection Research Kleinmachnow, to the 500 assembled specialists from business operations, state and scientific institutions. To be sure, the time was past when crop protection had the sole purpose of fighting—even destroying—pests through chemical means. Although in this manner it was possible to insure yields and maintain the quality of the harvest. Yet the disadvantages became more evident every year: For example, together with harmful organisms the beneficial ones were also eradicated, the propagation of hard-to-control weeds was promoted, the soil was enriched with poorly degradable chemicals. In short, production went on without duly considering the environmental issues.

Worldwide, this realization changed our way of thinking. A conversion took place—in the GDR as well—from targeted to integrated crop protection. The essential principle here is to keep plants healthy rather than to destroy the pests. There are consequences. Chemical agents are

still being used but only after all other possible measures have been exhausted. First the organisms that live in a crop are given the chance to regulate themselves. In so doing we have to accept that pests initially can start to develop—and also do damage, of course. For at this point they represent the basic food for the multiplying useful organisms. Only then an equilibrium can be established.

Does this mean bidding farewell to the frequently over-used demand for "maximum yield" where one was primarily guided by the usable yield potential and less by ecological concerns? Peter Findeis, deputy minister of agriculture, forestry, and food management, comes to these conclusions: In the interest of a sound environment compromises must be made. Probably these will take a different shape in each operation, depending on the actual circumstances, he emphasizes. Though allowing for "maximum yield" on experimental acreage, Prof. Mueller otherwise speaks in favor of an "optimum yield," which does justice to both the ecological and the economical demands.

Given this kind of objective the crop protection specialist is required to do exactly as much as is necessary. To make a decision to this effect is often difficult in spite of sophisticated pest and crop monitoring systems and of allowed standard control values. Dr. Edelgard Sachs was able to substantiate this. Surveys by the Kleinmachnow Institute showed that this year, as well, the reaction was quite frequently too fearful. Brewing-barley blends, for example, were sprayed for mildew when it was not necessary. Also the amount of acreage that was protected against the potato beetle could have been less. Uncertainty prevailed, furthermore, when the control of lice was at issue—especially when a certain number of ladybugs were present. How high must this figure be to be able to dispense with chemical control? It was learned that Prof. Dr. Theo Wetzel of the Martin Luther University Halle is presently working on standard values.

The computer helps to make an accurate decision. Gisela Schroedter reports on this from her LPG [Agricultural Growers Cooperative] Dahme. For example, the computer processes prognoses values of the kreis crop protection authority as well as meteorological data and information specific to individual operations and fields under cultivation, in order to predict the threat of stem break to winter rye. Sprayers did not have to be used until mid-April and even then only on some fields. This prognosis method alone (there are 12 by now) saved treatments that would have cost the republic an average of three to seven million marks. And it meant less environmental pollution.

To employ chemical agents only at the very last moment or not at all—this is a concept requiring crop protectors to take on a relatively high risk. For the cost saved on the preparations are of little significance, and it is difficult to put a dollar amount on the contribution to environmental protection. It is therefore suggested that education in vocational schools, technical colleges, and universities give special attention to the new requirements

of integrated crop protection—in biology classes, for example. In addition, the conference participants urged once again to provide a crop-protection technology, which would allow such exact work that even smallest doses are possible. Minister Peter Findeis promised to make an effort to see that the largely obsolete sprayers be replaced by new ones in the near future.

HUNGARY

Summary of Major Laws, Decrees of 1989

25000568 Budapest HETI VILAGGAZDASAG in Hungarian 23 Dec 89 pp 25-36

["Hungarian Chronicle '89"—a chronological listing of events excerpted to show only the laws and decrees that gained effect or were enacted or proposed during the year]

[Excerpts]

1 January

- Law on Business Organizations. Newly regulates and codifies provisions concerning business organizations (such as GMK's [economic work collectives] limited liability corporations, and stock corporations).
- Law concerning Entrepreneurial Profit Taxes. Sets the profit tax rate at 50 percent, in general.
- Law concerning Supplemental Entrepreneurial Taxes for 1989. Levies a four percent supplemental tax on the base entrepreneurial profit tax, in addition to the entrepreneurial profit tax.
- Law concerning the Social Security Fund. Segregates Social Security funds from funds budgeted by the state.
- Law concerning Foreign Investments. Provides for immediate indemnification of foreign investors in the currency the investment was made, in case of nationalization.
- Decree concerning the Introduction of Unemployment Compensation. Provides unemployment assistance payments for one year, at a rate of between 50 and 70 percent of the previous average income.
- Decree concerning the Employment of Individuals Abroad. Enables unemployed persons to obtain work permits.
- Decree establishing the Housing Fund. Segregates housing construction financing funds from funds budgeted by the state.
- Decree providing Financial Regulations for Travel Abroad. Repeals the rule which provided that in general, in conjunction with private purpose travel one must have a certain amount of foreign exchange of official origin in order to leave Hungary.

—Decree concerning Housing Subsidies. Discontinues preferential interest payments on housing loans taken out after 1 January, and provides for subsidized installment payments. [passage omitted]

11 January

—Law concerning Association and Assembly. After a void of four decades, Parliament restores the freedom of association and assembly. In a departure from earlier bureaucratic licensing processes, henceforth the establishment of associations is only subject to ordinary registration at courts of law. Demonstrations in public areas must be announced to the police three days before the event takes place. The police are obligated to make a ruling within 48 hours from the time of the announcement. Police rulings prohibiting demonstrations may be challenged in court. Based on a brand new provision of the Criminal Code of Laws, persons impeding the exercise of the right to form associations or to assemble may be henceforth confined to prison for a three-year term. [passage omitted]

22 March

—Strike Law. Parliament proclaimed that workers in Hungary are also entitled to strike. Provisions: In general, work stoppage may be initiated only after unsuccessful efforts to reach an agreement; solidarity and warning strikes are permitted, nevertheless strikes of an expressly political nature are prohibited. No strike is permitted by persons serving the administration of justice, the armed forces, armed bodies, and law enforcement organs. Employees of public service organizations, such as public transportation, have a limited right to strike. Employees must not be discriminated against for participating in strikes consistent with law, but in general, there shall be no pay for the time of work stoppages. County labor affairs courts are authorized to adjudicate legal disputes arising between employers and striking employees. The first adjudication involving strikes took place on 17 April, five days after the law went into effect. The Bekes County Labor Affairs Court ruled that a work stoppage organized by the 150 workers at the Gyomaendrod unit of the Koros Furnace Manufacturing and Machine Industry Enterprise was illegal. [passage omitted]

30 May

—Law on Transformation. Following heated expert debate in which a compromise has yet to be reached, the government submitted to Parliament, and Parliament adopted the proposed Law on Transformation. In his speech, Justice Minister Kalman Kulcsar termed the law, which provides for business organizations' changing their form of business organization, and the order by which state enterprises may convert into corporations on a one-to-one basis, as a low cost and simple method for organizational change, and rejected charges which claimed that the law would covertly accomplish proprietary reform in favor of

enterprise managers. Experts believe that the spontaneous privatization process that gained strength in the course of the year was not based on the law on transformation, but on taking advantage of opportunities provided by enterprise autonomy and by the Law on Business Organizations. The typical form of spontaneous privatization is that by attracting some foreign capital, state enterprises transferred their property to corporations, and changed their enterprise headquarters into property management organizations. According to estimates, more than 50 state enterprises accomplished transformation from a cluster of companies into concerns, or revived from a seemingly dead stock corporation form. In several instances in the course of such transactions foreign firms acquired significant Hungarian capital. These include, e.g., the transactions involving Tungstam and General Electric, Ganz Vehicle Works and Hunslet, Ganz Electric Meter Works and Schlumberger, as well as Apisz and Citicorp. [passage omitted]

21 June

—Decree concerning the Freedom of the Press. After 42 years the government abolished the most significant legal impediment in the path of permitting the freedom of the press to prevail: the requirement enforced ever since 1947 by which the publication of newspapers in Hungary is tied to a permit issued by the government. Henceforth the government prescribes to new newspaper publishers that they must officially register their intent to publish a newspaper. Rulings upon such announcements must be made within 15 days. The government's authority to appoint editors in chief was abolished a few weeks earlier. Following liberalization of the press, some of the country newspapers owned by the Hungarian Socialist Workers Party [MSZMP] began their own "fight for freedom," however to this date they have been unable to separate themselves from the MSZ(M)P. Foreign capital is showing an increasing interest in certain Hungarian media; already last fall, MAI NAP and REFORM had reached an agreement with Australian newspaper publishing magnate Rupert Murdoch to purchase half of their stock, 40 percent of the MAGYAR HIRLAP stock was purchased by the British Maxwell, and Gyorgy Soros, who resides in the United States is preparing to purchase 35 percent of the MAGYAR NEMZET stock. [passage omitted]

1 July

—Land Law Amendments. Private persons may purchase real property in unrestricted amounts, and the right to acquire property may be restricted only by Parliament, according to amendments to the Land Law that went into effect 1 July. According to the new rules, only state organs or social organizations may manage real property owned by the state, and property managers who could be regarded as the essential owners before, can no longer transfer proprietary

rights attached to the real property they managed. The manager may also transfer managerial and user rights only with the permission of the council having jurisdiction, and only pursuant to rules governing the allocation of premises. By taking this action, Parliament's intent was to prevent individual social organizations from selling out state real property managed by them. [passage omitted]

7 July

—Amendments to the Defense Act. According to the new provisions, the duration of civilian service is 28 months, that of unarmed military service a maximum of 24 months, and of armed military service a maximum of 18 months. The law provides that civilian service may be authorized on grounds of conscientious objection; the authority to decide rests with the regional recruitment and defense commander. [passage omitted]

18 October

—"Pivotal Laws." As a result of an Alliance of Free Democrats [SZDSZ] campaign to hold a popular referendum, Parliament began its debate over the proposed pivotal laws in an unusually tense atmosphere. Zoltan Kiraly condemned the signature drive organized by the radical opposition. In the end, a Parliament which became increasingly unsure of itself as a result of developments on the street, adopted a statute which provides for a republic, prohibiting endeavors for hegemony in political life and mandating the principle of sector neutrality in the economy, only after a forceful stand taken by prime minister Miklos Nemeth. This constitutes a fundamental change as compared to the stalinist constitution adopted in 1949. It came as a surprise that in the course of debating the law pertaining to parties, a sweeping majority of representatives adopted the opposition's viewpoint with regard to depoliticizing workplaces. Representatives voted to approve the Law establishing a Constitutional Law Court with only one abstention. Imre Pozsgay had to prove his skills in oratory regarding the adoption of the election law, namely, representatives formed a chorus in demanding a drastic reduction of the number of mandates based on party slates. The final version of the law provides that of the 386 parliamentary mandates only 176 may be acquired in individual voting districts, while 210 are subject to votes cast on party slates. [passage omitted]

15 November

—Disarming of the Workers Guard. Disarmament of the Workers Guard, an organization abolished by the National Assembly without providing for a legal successor, has been completed. From 180 locations soldiers transported to military storage facilities 60,000 submachine guns, 4,700 light machine guns, and 600 machine guns, among other items. The 60,000-strong Workers Guard had 617 professional members. These persons retired in part, and in part found positions

elsewhere, such as at the police and in the Army. Those unable to find jobs will receive salaries for a year. The property of the Workers Guard—worth 10 billion forints, according to their own calculations, half of which consist of real estate—was sequestered by the Finance Minister. The Workers Guard received a budgetary subsidy of between 600 million and 800 million forints each year (a total of 12 billion forints since 1957). [passage omitted]

2 December

—Law concerning the State Trust Fund and the Law concerning the Protection of State Property. The Council of Ministers approved legislative proposals concerning these subjects. The proper channeling of spontaneous privatization efforts and the beginning of privatization guided by the government is the expected result.

Causes of Failed Economic Policy Analyzed

Personal, Political Motives Blamed

25000569 Budapest HETI VILAGGAZDASAG in Hungarian 2 Dec 89 pp 68-71

[Article by Gyorgy Matolcsy: "Economic Policy Fiasco: The End of Liberalization"; first paragraph is HETI VILAGGAZDASAG introduction]

[Text] During most of the past decade two kinds of economic years alternated: One came to a bad end after a good start, the other produced an even worse situation after an already bad beginning. The year 1989 promised much, but then signs of decline manifested themselves early in the year and the government failed to act. What mechanism supports the economic policy which lead to a near catastrophe? This is the subject of the economist author's analysis.

The economic year of 1989 began on the basis of expressly favorable signs. The "quiet" political revolution progressing ever since May 1988 gradually rendered the government independent. A favorable agreement was reached with the International Monetary Fund. Assurances provided with regard to the foreign trade balance, the balance of payments, and the rest of the macroeconomic indexes appeared to be easy to comply with. This expectation was also supported by the force of the 1989 global economic boon. Hungary held on to a first class position in its ability to obtain loans. Large amounts of foreign exchange reserves were available. Expectations called for a \$500 million foreign trade surplus and for \$700 million in revenues to be derived from foreign tourism. Accordingly it was realistic to count on paying the interest due on foreign loans, amounting to between \$1.2 and \$1.4 billion, from internal resources. This would have amounted to no less than to stop increasing the indebtedness in 1989.

And yet, in early November 1989 the financial indicators of the Hungarian economy projected the specter of

collapse. By the end of the year, the convertible currency balance of payments showed a \$1.5 billion deficit, and foreign exchange reserves declined below the level of acceptable risks. Within foreign trade subject to settlement in rubles, a surplus of between 0.5 and 1 billion rubles evolved; the balance of payments surplus in this regard will be between four and six times larger than its projected size. All of this constitutes a series of violations of agreements reached with the IMF.

Rather simple technical reasons may be found in the background of this virtually incomprehensible financial turnaround. About four-fifths of the 5 million citizens taking out passports used up the approximate amount of \$400 per person individual foreign exchange supply. This produced an outflow of approximately \$1.5 billion in foreign exchange. As a result of this item alone, the closing balance of payments shows a \$1.5 billion deficit.

Exports to the Soviet Union constitute an existential issue from the standpoint of large Hungarian processing industry enterprises. Since the government was unable to touch this part of the large enterprise sector, and since additional imports could not be effected by applying either governmental or market methods, processing industry enterprises delivered their exports, while no offsetting imports could be made. The balance of interest payments and the sudden, explosionlike popularity of shopping tourism that evolved along the Soviet-Hungarian border are jointly responsible for the sudden increase in the ruble balance of payments surplus.

Still in May, a budgetary deficit of only between 50 and 60 billion forints was projected. They succeeded in cutting down this deficit, nevertheless the actual deficit still exceeds the projected level. The largest deficit item resulted from budgetary subsidies provided to support interest payments on individual housing construction, amounting to 240 billion forints. This came about as a result of the fact that a few percentage points increase in inflation in the course of the year automatically expanded this budgeted expenditure by several billion forints.

The third large amount—another automatically increasing item—consists of consumer price subsidies. In 1989 this increase amounted to between 5 and 10 billion forints. In a similar manner, enterprise subsidies—and mainly subsidies provided for ruble exports—also increased in part automatically.

Accordingly, from a technical standpoint it became clear that the budgetary deficit was based on automatic run-away items; these items showed a snowballing effect year after year, and the interest burden payable on the growing state indebtedness created a virtual built-in, growing budgetary deficit.

It is hardly conceivable that economic management was not aware of these danger zones toward the end of 1988 and in early 1989. Considering double-digit inflation, black market foreign exchange rates 50 percent higher

than official rates, and interest rate levels which discouraged individual savings, it was obvious that several million Hungarian citizens would take advantage of the foreign exchange supplies provided as a matter of citizen's rights, and that they would spend that money on shopping. Wage liberalization introduced parallel to these measures only served to increase these effects: Citizens received forints in the form of wages and other income in sufficient amounts to permit them to purchase foreign exchange in Hungary. And as a result of built-in export subsidies, enterprises received sufficient forint amounts to pay the increasing wages.

Similarly, runaway processing industry exports to the Soviet Union could have been predicted, and so were the effects of liberalized Soviet-Hungarian tourism upon the balance of payments. Finally, relative to the budget deficit, the trend followed by automatically increasing items which in the final analysis were responsible for the deficit, were clear; one also could have predicted that by using the means available, the government could at best slow down these processes, but could not stop them.

And yet one wonders: Why did this clear logic fail to filter down to the plan and to the budget, to the parliamentary chamber and to the public? Why did the government propose a budget and a plan that promises a financial fiasco from the outset?

The answer is essentially twofold. The actual figures for 1988 used as the basis for 1989 planning were already false. In the course of planning they disregarded certain items from the outset, which they were forced to include in the budget later. (In the first month following the planning stage, additional subsidies worth 10 billion forints were subsequently "entered" into the plan.) All in all, the same thing that took place in previous years happened again: deception in the planning technique, in the sociological milieu of planning. There was nothing new about it, nevertheless the 1989 plan and budget were a new triumph for planning approaches based on little white lies.

There is, however, yet another reason which in the end happened to play the definitive role in the evolution of the financial bankruptcy situation. This is none other than the government's economic policy which stresses two main goals: external balance, and, along with the preservation of external balance, liberalization. Publicly known as "libero," liberalization covered 40 percent of the imported goods, as well as wage payments, producer prices, a larger part of consumer prices, and individual foreign exchange purchases up to the \$400 limit.

On the other hand, this liberalization package did not extend to the most important area: to the acquisition of property. That is, this package would have constituted real liberalization, had it provided a choice for the enterprise community between importing machinery, buying inventories from capitalist imports, paying wages, or accumulating an inventory produced by themselves on the one hand, and buying their own factories,

the neighboring cooperative or state enterprise, or perhaps stock in some promising company on the other. In contrast, enterprises, the community of enterprises, found only one or two opportunities in the process of spontaneous privatization in which they were able to purchase stock in their own enterprises. In reality, there was no opportunity to spend enterprise income on the purchase of common property.

The situation is similar with regard to the citizen. Liberalization would have been real, had the citizen been given a choice between buying a Western car, foreign exchange on the black market, real estate, a Western luxury highway, a freezer, or a color television set on the one hand, or his own workshop, a restaurant, a commercial outlet, or the purchase of stock or a business share in a company that manifests dynamic growth, on the other. In order to accomplish this, however, it would have been necessary to have an abundant supply of property, as well as neutral legal and economic conditions for the acquisition of property.

While legal conditions became more liberal in 1989—e.g., limitations on the right to acquire property were lifted as of 1 July 1989—the economic environment sets into operation an interest that counters the idea of acquiring property. While it was easy to acquire foreign exchange either legally or through the black market, and while it was even easier to buy a freezer, a car, a color television, etc., the tax system penalized the acquisition of property and capital investments related to the production of goods. One can only reiterate the basic principle contained in the 1987 study entitled *Turn-around and Reform*: It is not only useless to introduce liberalization in the absence of proprietary reform; absent proprietary reform, liberalization also presents a life threatening danger.

But the first bomb exploded at the end of the first quarter. It turned out that the economic processes of 1989 significantly differ from what the plan and the budget called for. For this reason, in mid-May the government presented a proposal to Parliament stating that liberalization cannot be sustained unless the external balance is maintained, and it went on to list measures which may turn around the unfavorable processes. And here comes the real surprise: These measures did not include a single step which would influence the runaway convertible currency balance of payments deficit, the matter that presented the real risk.

What could be the reason for this virtually incomprehensible conduct on the part of the government? Two main reasons serve as an explanation in my judgment: Toward the end of 1989 the government began to anticipate the elections and therefore the emphasis shifted from a tough government to a popular government. At the same time the government was weak, and as a result of its professional and sociological composition was not only unsuited for, but was unable to stand up in the face of large state enterprises which enjoyed a dictatorial position. Part of this may also be attributed to the fear

manifested by individual members of, and leading advisers to the government, of losing their positions: They did not dare to admit the extent to which liberalization had failed, meaning that they did not want to draw the personal consequences that would flow from this fiasco. Just as the overstated liberalization program produced credits in leading government positions, the admission of its failure would have been synonymous with the loss of these positions. The points where intervention should have taken place were those which would have made clear that a professional mistake had been made; intervention would have put an end to the popularity enjoyed by the government, and would have clashed with the fundamental interests of the economic power structure. Converting state enterprises into stock corporations would have provided a good chance for the government to indeed tie liberalization to truly new proprietary conditions. Wage, credit, and state subsidies, together with the rest of the liberalization measures, should have been accessible only to those industrial, commercial, agricultural, and service business organizations which are truly controlled by the marketplace. These include all private ventures, joint enterprises (above a certain proportion of foreign ownership share), and state enterprises and cooperatives which transformed into companies, and whose foreign ownership share amounts to at least 30 percent.

The government did not agree to endure this "small discomfort," meaning that the government had a different treatment for large enterprises and large cooperatives which play a definitive role in the economic power structure on the one hand, and organizations controlled by the marketplace or by their owners, on the other. For this reason, the professional mistake made in the context of liberalization amounts to more than an error made by a friend of the arts. It reflects the intertwining of the 1989 government with the given power structure. But one could have intervened in these processes even while they were going on. Immediately after the first quarter of 1989 the foreign exchange outflow caused by individuals should have been changed, steps should have been taken with regard to the 10 or 15 large enterprises which produced the largest amounts of ruble surplus, and corrective action should have been initiated with regard to the large items that caused the budgetary deficit. Foreign exchange allocations to individuals should have been reduced to "small change," foreign exchange allocations available to travel agencies should have been increased, a foreign exchange market accessible to individuals should have been opened, an attractive interest should have been paid to individuals depositing foreign exchange complete with Hungarian National Bank [MNB] refinancing, a legal guarantee should have been given for the secret account management of foreign exchange owned by individuals, and quite naturally, the government should not have waited until October 1989 to graciously permit the population to confess to its secretly held foreign exchange.

The real danger flowing from the 1989 economic fiasco is that Hungarian society received the chocolate bar

before the bitter pill—economic structural change, unemployment—along with which that chocolate should have been apportioned. Tapping the country's foreign exchange reserves and additional indebtedness assumed for the sake of the 1989 national "gift parcel" made no economic sense at all, because it cannot be repeated in subsequent years.

On the other hand, the mistaken liberalization policy strengthened inflation as well as unsubstantiated wage outflow and an increased production not backed by performance, it diminished foreign exchange reserves, and did not restrict the large expenditure items in the budget. It also delayed the necessary operations.

The great responsibility related to 1989 rests in the fact that a radical economic turnaround was concentrated within a year that was burdened with political changes. The extent to which a new government will be able to lay foundations for the needed economic turnaround during a period when the administrative aspects of the political structure are developed is highly questionable.

Medgyessy Admits Government Deception

25000569 Budapest HETI VILAGGAZDASAG in Hungarian 2 Dec 89 p 69

[Interview with Deputy Prime Minister Peter Medgyessy by Patricia Molnar: "Who Knows What in the Government?"; date and place not given]

[Text] In his dramatic speech delivered at the November session of Parliament the head of government declared that he would present a clear slate. He did so in the course of telling representatives the true extent of indebtedness incurred by the budget. One way to read the prime minister's speech would be to say that at any given point in time the prevailing government was always aware of the cosmetics applied, while another reading would indicate that with the passage of almost two decades the government itself was unaware of what it was hiding—after all, it had been a year since the government commissioned the MNB to untangle the thicket of numbers. We asked Deputy Prime Minister Peter Medgyessy about the attendant dilemmas.

[HVG] Were the country's economic and political leaders aware of the government's actual amount of indebtedness? And if they were, why was it necessary to commission the MNB to clarify the situation?

[Medgyessy] The fact that the indebtedness incurred by the country and by the budget is larger than the level admitted was known to a relatively broad circle. On the other hand, only a small group was able to acquire knowledge concerning the details on how the actual situation was distorted, the techniques of distortion, and the related financial maneuvers. Quite naturally, based on the positions they hold, the leading experts at the MNB had the most accurate information. The complexity of the situation is characterized by the fact that in the course of so much time the various threads have

become extremely intertwined. This came about as a result of the regrouping of data accomplished to "divert attention," in the interest of maintaining numerical consistency. It is no coincidence that the MNB also needs time to shed light in the hardly transparent jungle of numbers on the actual situation that evolved by the end of 1989. The government recognized that it can no longer carry the burden of presenting false information on the one hand, and that society would be hard put to understand why the economic sphere of movement is so restricted, without presenting an authentic picture, on the other.

[HVG] Were you among the initiated in your earlier position, as finance minister?

[Medgyessy] I was aware of the situation. I knew that the indebtedness was indeed greater than was publicized, and I also knew that the state budget deficit was higher than the amount declared. Nevertheless, it was only later that I learned of the methods of applying cosmetics, and about the extent of deviations.

[HVG] Not too long ago leaders of the Hungarian Socialist Workers Party [MSZMP] declared a number of times that they did not have an accurate view of the country's indebtedness situation. Is that possible?

[Medgyessy] Hardly. Since they treated life and death matters concerning the economy as political issues, the MSZMP leaders could not have lacked awareness of the actual situation. I would, of course, find it conceivable that the technique of financial maneuvers was visible only to the party's specialized economic apparatus.

[HVG] It is likely that citizens are more interested now than ever before in the opinions and counter opinions that were expressed relative to these governmental decisions. Which side did you take in deciding on a measure that resulted in the freezing of foreign exchange, for example?

[Medgyessy] The decision was preceded by several hours of debate. The only mistake I find is that a decision to prevent the outflow of foreign exchange was not made earlier. On several occasions, prior to this decision, I recommended the introduction of some restrictive measure. At the same time I also found it necessary to improve the domestic supply of goods, however, and in such a manner that the competitive conditions for private imports and organized imports would be the same; in other words, so that the prices of imported products sold by domestic enterprises would not be higher than those of privately imported goods. In plain English: I found it necessary to impose either general sales taxes or customs duties on private imports. Otherwise it would be illusory to believe that citizens would work against their own financial interests and buy the same goods in Hungary that they could buy cheaper abroad. Having taken into consideration all of the above-mentioned proposals, I voted for the measure restricting the exchange of foreign currencies. I will add, however, that I regard the three-year time period for restriction as too

long and as having no perspective. This measure would not have generated so much emotion if the \$50 limit had been announced for a shorter period, on a temporary basis. People would perhaps have accepted and understood that here and now there is no more foreign exchange. In contrast, they are unable to digest the idea that they cannot hope to obtain a greater amount of foreign exchange, even in two or three years. Thus I find it conceivable that the government will review the time element involved in its decision to restrict foreign exchange, by changing to a system capable of functioning at the earliest possible date, such as the new system that is now held out as a prospect. At the same time, a greater incentive than what exists at present must be established in order for them to actually exchange foreign exchange derived from tourism. Also, foreigners need more places where they can exchange their currencies, and the incentive to exchange foreign currencies must be increased.

View of State Accounting Office Head

25000569 Budapest HETI VILAGGAZDASAG in
Hungarian 2 Dec 89 p 70

[Interview with Istvan Hagelmayer, chairman of the State Accounting Office: "They Did Not Care for Details"; date and place not given]

[Text] Miklos Nemeth's speech in Parliament served only to confirm what birds in Jozsef Nador Square and Szabadsag Square have been chirping all along: The "bride is more repulsive" than it was admitted before, that as compared to the amounts publicized thus far, Hungary's gross indebtedness amounts to \$20 billion. What arguments are there to explain the secrecy, we asked Istvan Hagelmayer, the recently appointed chairman of the State Accounting Office.

[HVG] Is there a political or economic explanation for the veiling of facts in your view?

[Hagelmayer] I can see why this government wants to establish a clear slate. But I do not understand why it was necessary to tell lies in earlier days. I am unable to accept either a political or an economic explanation. I treat it as a fact at best, that as a result of the operation of old stalinist reflexes the country's political leadership did not permit itself to admit the actual amount of dollar indebtedness and the actual level of the budget deficit.

[HVG] Could the difference between the actual and the thus far announced level of dollar indebtedness warrant the distortion of data provided so far?

[Hagelmayer] I don't believe so. This is not an issue of such great caliber. At least insofar as I am concerned, the difference between the actual figures and the figures publicized earlier does not serve as an explanation. I do not believe that Western creditors would have become suspect because of a \$1.5 or \$2 billion discrepancy.

[HVG] In your view, were the IMF experts surprised by the data revealed in Parliament?

[Hagelmayer] I have the feeling that several people at the IMF had a hunch about reality....

[HVG] Do you, as chairman of the State Accounting Office, have the accurate information?

[Hagelmayer] The State Accounting Office is in the process of being organized; we will begin to operate in January. Accordingly, I could not have obtained official information on the basis of the position I now hold. But as a university professor I heard whispers from places of authority according to which the country's indebtedness was somewhat higher than what was admitted before. Incidentally, I have an accurate picture of loans received, and interest and installment payments made between 1973 and 1987; we have analyzed the country's indebtedness situation at the university.

[HVG] Do you think that at this time the country has learned the actual figures?

[Hagelmayer] I would not assume that they would want to defraud us once again. Viewed from a different angle: A professional can always find a way to check figures. At the same time there are legal guarantees so that henceforth no one can decline providing information to the State Accounting Office.

Changes in USSR Prompt Energy Reassessment

Energy Planning Turns to West

25000566C Budapest FIGYELO in Hungarian
21 Dec 89 p 9

[Interview with Dr. Imre Szabo, industry state secretary, by Arpad Hajnocy: "Energetics: What Could We Come Up With?"; date and place not given; first paragraph is FIGYELO introduction]

[Text] About half of all Hungarian energy consumption is covered by imports, and the import dependence of the energy system is rather one-sided. Changes in the Soviet Union, among other matters, are essential because, unless appropriate steps are taken, a potential delay in energy deliveries could make the Hungarian economy fall flat on its face. Dr. Imre Szabo, Industry Ministry state secretary, responded to our questions.

[FIGYELO] As of recently you were conducting some crucial negotiations in Moscow, according to reports. What kind of an agreement did you manage to reach?

[Szabo] We discussed the matter of electrical energy, crude oil, crude oil derivative, and natural gas imports to take place next year and the year thereafter with representatives of all ministries involved in energetics. In addition, we made an official announcement to the effect that based on a Council of Ministers decision we had suspended preparations in Paks for 2 X 1000 megawatt nuclear power blocs. The Soviet party manifested a preparedness to continue with the exportation of an unchanged quantity of energy resources both in the short

term, and in the long term. Accordingly, we signed the original agreement for the importation of 1,850 megawatts of electrical energy in 1990, and at the same price we paid the previous year. The Soviet party showed a similar preparedness with regard to the exportation of gas and oil.

[FIGYELO] But the Soviet Union is struggling with some grave social and economic problems. To what extent should we rely on good intentions at a time when the import dependence of the Hungarian energy system is so one-sided?

[Szabo] This is a delicate issue, and the Soviet party makes no secret of the related concerns and difficulties. For example, we were told that production at the traditional hydrocarbon sites could not be increased further, and that new sites could be opened only under extremely unfavorable natural conditions. The name of Jamburg is known, and the situation is the same at the Jamal Peninsula beyond the Arctic Circle.

Soviet electrical energy production was reduced because of delays in the reconstruction of power plant blocs similar to the type used in the Chernobyl nuclear power plant. In addition, the nuclear power plant construction program slowed down. For years, needed maintenance work at some of the thermal power plants could not be performed, and the high voltage long distance power line network is overloaded.

[FIGYELO] In other words the technical and technological situation may even turn critical, which could be topped only by increased nationality, economic, and social tensions. Do we have a strategy for such a case, if as a result of these factors the Soviet energy system collapses?

[Szabo] In the short run the most secure point is the previously much cursed Adriatic Crude Oil Pipeline, which could be made operational within a few days, and whose capacity is about the same as that of the Friendship II Crude Oil Pipeline. The Adriatic Crude Oil Pipeline is filled on the Hungarian side, and we received a promise from the Croatian energetics minister that the pipeline will be filled all the way to the Adriatic.

[FIGYELO] A rather lengthy process is involved in buying oil and contracting a tanker if there is a shortfall in delivery.

[Szabo] A few weeks ago I negotiated in Iran about transportation and the possible purchase of oil. We have reached an agreement in principle concerning all of this with the Iranian partner.

[FIGYELO] What alternative source could there be for oil derivatives and fuel?

[Szabo] Adequate quantities of gasoline could be obtained from the tank park at the Schwechat oil refinery. It is an essential fact that the tank park, whose capacity in and of itself is not unlimited, is linked to the Italian and French long distance pipelines.

The situation with electrical energy imports is substantially less favorable. We may count on supplemental imports from Czechoslovakia, Austria, and Yugoslavia, but this amounts to no more than a few hundred megawatts. Along with this it is the job of the Hungarian Electrical Works Trust to activate reserves that may be found in Hungarian coal and hydrocarbon power plants. Assuming an extreme case in which Soviet electrical energy imports cease, and considering all of the above, we may count on energy restrictions to an extent that the populace would not be affected.

Finally, natural gas. Reserves in underground tanks would last for a week, in other words they would permit bridging a disturbance that does not last too long. It appears that the most critical situation could evolve in this respect; at the same time, however, the supply of imported natural gas seems to be most secure.

[FIGYELO] All these are short-term, defensive measures. What could be the long-term solution?

[Szabo] The only long-term solution could be to place the Hungarian energy system on several footings. One form in which this could take place would be to join the "Italia 2000" system, with Italian, Yugoslavian, Hungarian, and Soviet participation. With this Hungary could become part of the West European electrical energy and natural gas system, and this would be in our fundamental interest.

[FIGYELO] How long would it take to build the "Italia 2000"?

[Szabo] Within four to five years from the time a decision is reached. In this connection I find it essential to locate the direct current panels at Hungary's Eastern borders, so that we can transfer from the unified CEMA electrical energy system to the West European UCPTE [Union for the Coordination of the Production and Transport of Electric Power] system and in the framework of this kind of cooperation it would be worthwhile to do so. This would provide real security, because it would make importation possible both from the East and the West. All of this does not presume participation by the four countries I mentioned, a Hungarian-Italian-Yugoslavian cooperation would also be conceivable. All such endeavors were received favorably in the Soviet Union, because such measures would also render the Soviet energy system more secure.

[FIGYELO] According to recent information the Paks Nuclear Power Plant enterprise is negotiating with a French firm concerning the expansion of the power plant in such a way that beginning in 1998 the future blocs would produce electrical energy. Doesn't this intent conflict with the energy policy concept just accepted?

[Szabo] There is no contradiction between the intentions at Paks and the energy policy concept. The energy policy concept is not free of risks, because it is based on a low level incremental increase in electrical energy. Nevertheless at about the time of the millennium a new basic

power plant must be entered into the system. This issue is being misunderstood by many. This would mean that a decision would have to be reached—not now, but by 1992—as to what kind of basic power plant we should build. Thus far we have received offers from six well-known firms, and their offers include both nuclear power plants and thermal power plants. It is our view that a competitive comparison must be made with regard to these offers, and that a decision should be reached only thereafter. We will favor the offer which includes at least a two-thirds foreign capital contribution, one that can be repaid in installments in the form of electrical energy, and which provides for the foreign partner to obligate himself to sell the excess electrical energy. Although the conditions of the French offer are favorable, they should be compared with the rest of the offers before a decision is made, I believe.

**Excerpts From the Combined Energy Resource Balance
(units of measurement: petajoules)**

	1985	1980	1990*	1995*
Production	703.7	703	669.4	650.1
Crude oil	80.5	79.8	77.1	71.8
Natural gas	224.3	202.7	195.4	173.3
Electrical energy produced by nuclear plants	64.8	134.5	127.4	124.8
Import	697.5	719.9	716.7	841
Crude oil	263.5	283.6	265.7	307.5
Natural gas	133.4	176.2	183.8	279.1
Electrical energy	108.1	112.9	111.2	100.8

*Planned quantities pursuant to calculations contained in the government energy policy concept.

French Offer To Expand Nuclear Plant

25000566C Budapest FIGYELO in Hungarian
21 Dec 89 p 9

[Text] As reported in daily newspapers, a statement of intent has been issued by the Paks Nuclear Power Plant Enterprise and the French EDF (Electricite de France Internationale) firm regarding the construction of two new 1,000 megawatt nuclear power plant blocs, in the framework of a joint enterprise. According to the offer, the French firm would pay for 70 percent of the construction costs in foreign exchange, and 30 percent would be paid by the Hungarian party in forints. The \$2 billion French investment would be repaid by the Hungarian enterprise in the form of electricity over a 20-year period, beginning upon completion of the construction in 1997 or 1998.

The offer appears to be favorable, because one of the new blocs would be linked to the West European energy system. This would change the one-sided dependence and would render Hungary's electrical supply more secure. The French partner would construct the power lines from the West to the Hungarian-Austrian border,

and would supply the power plant's heating elements and haul away the spent elements.

All of this means that the people in Paks succeeded with their lobbying effort to expand the power plant as soon as possible. Or did they? The "lignite lobby" within Parliament's Electrical Energy Section instantly launched a counterattack. In other words, the debate has been rekindled. All of this goes to show that once again the perceived energetics concerns of various interest groups and most certainly some real existential interests are about to clash. All of this is in the absence of a thorough comparison and evaluation by the trade of some half dozen offers for the construction of basic power plants, according to the state secretary.

Family Farms Advocated

25000561 Budapest FIGYELO in Hungarian
14 Dec 89 p 11

[Article submitted by Sandor Kopatsy to initiate debate: "Heading Toward an Agricultural Economy of 'Farmers'"; first paragraph is FIGYELO introduction]

[Text] The idea that in the agriculture of the future the structure must not be formulated on the basis of ideological requirements, but must be permitted to evolve along the path of efficiency requirements, is considered to be agreed upon both by politicians and economists. Resistance to this can be found only in agricultural circles where existential interests suggest a continuation of present conditions.

A large majority of the people support agricultural reform, but within that majority there are great differences of opinion. The fact that there is no relevant experience on how to accomplish a transition from a stalinist agricultural model to a market-oriented agricultural model is just one reason why such differences exist. However, the opposing views stemming from these differences do not constitute a great danger.

What does present a great danger is the fact that the largest mass base for political ambitions may be found in a populist agricultural program, in the program that contains the largest number of promises. For this reason, the greatest danger today is that political demagoguery will create a situation in which opportunities for successful agricultural reform are narrowed down, thus prolonging the time needed for evolution.

A Singular Success

Agricultural reform must have its beginnings in the actual situation, not in wishful thinking. The actual situation is characterized by two facts:

(1) The relatively successful agriculture based on multiprofile large plants is equipped with a relatively good technical base. We must recognize the fact that Hungarian agriculture achieved its greatest success while maintaining the stalinist framework. Its production

results correspond to realistic circumstances. On the other side, however, we find high operating costs and the wage earner status of agricultural workers. In part, the high operating cost was a result of the very existence of multiprofile large plants for which there is no example in international practice. Large plants like these operate with costly administration, as a matter of necessity. The wage earner status of workers is impermissible in modern agriculture from both a political and an economic standpoint.

(2) The system of household and auxiliary farms is a singular success even on a worldwide scale. Present food supplies and our exports would have turned out differently had it not been for the results achieved by auxiliary farms in the area of fruit production and the keeping of livestock. The performance of this sector is not reflected appropriately in statistical data. For this reason I will mention data concerning two matters.

Within auxiliary farms the income per unit of work is much greater than for the physical work performed in large plants. The general standard of living is higher in areas where there are more auxiliary farms. This is indicated by the fact that among Hungarian cities, for example, Kiskoros has the largest per capita number of automobiles. This is the city where collectives were not established because they did not want to compromise large plant farming due to adverse conditions. Nevertheless, covering crops and cultivating vineyards did bring results.

The assessment of the value of large agricultural plants would instantly become realistic if the standard of living of those who live there, rather than the productivity of these plants, were the primary consideration. This kind of analysis is warranted not only from the standpoint of social welfare, but also as a matter of efficiency. These days agricultural production costs are lowest in countries where agricultural workers enjoy the highest standard of living. Even extensive grain commodities are not produced at the lowest cost where labor is cheap; they are produced in places where the producer owns machinery worth hundreds of thousands of dollars, and he himself performs the work, and makes a better living than chairmen of cooperatives in Hungary.

Accordingly, the starting situation is determined in part by well equipped large enterprises, and in part by auxiliary farms which develop in a dynamic fashion. This dual base should serve as the starting point. Discontinuation of the present large plants must not begin by selling them, but by gradually establishing a multilevel leasing system. Large plants should not be privatized, but should instead be transformed into entrepreneurial ventures.

In this relation I believe that the primary task would be to restrict the selling out of large plants. Only those parts of large plants should be sold which cannot be put to better use through leasing. And I would suspend the sale of land for the time being.

This is necessary because, compared to the supply that may be considered for purposes of reprivatization, the purchasing power is ridiculously low, therefore sales would be conceivable only at prices well below realistic values. Entrepreneurial experience on the demand side should also be a sales condition.

The value of a modern farm may be expressed only in terms of several tens of millions of forints. Such ventures would not start because no one has that much money, but also because starting out under uncertain conditions and with a lack of experience would represent a terrible risk. On the other hand, a solution by which requisitioners would receive parcels of land the size of a few hectares would represent the development of an enterprise structure of the other extreme, as compared to the present situation. At present 90 percent of land area and equipment is unrealistically managed by large enterprises. In this case, however, that 90 percent would form small unrealistic entrepreneurial ventures.

Unnecessary Fear

In economically developed countries between 70 and 80 percent of the arable land is managed by commodity producing farmers. These produce 90 percent of all farm commodities. Multiprofile agricultural plants like ours that employ hundreds of workers can hardly be found. The remaining areas are managed in the form of auxiliary farms.

It would be a grave mistake if we were to maintain much larger units than the "farmer" units in most of this field; at the same time it would also be a mistake to irrationally divide most of this field into small farms. At present, the lobby supportive of the former solution is still strong, and the latter attracts politicians wanting to obtain new political laurels.

In the case of farming units which take good advantage of work performed by family members, the number of people whose primary occupation is agricultural work would be a fraction of what it is today. This situation is feared by many, because it would produce unemployment. This fear is just as unfounded as it was in the days when machinery was destroyed in order to preserve physical job opportunities. All international experience shows that most job opportunities are created in places where superfluous workplaces are discontinued.

In the final analysis, Hungarian agriculture does not need more farmers than the number of trained agronomists performing administrative work in the agricultural sector. This does not mean, of course, that only the present and future agronomists may become future farmers. Unfortunately, these people were not trained to become farmers. It is hoped that future farmers will include many agronomists, but also many physical laborers with an entrepreneurial inclination. The former group would have to learn how to perform physical labor. The latter group would have to acquire specialized knowledge related to organizing, entrepreneurship, and calculations.

Political Encouragement

One way of accomplishing agricultural reform would be to lease plants and land areas the size of farms to those who promise the best performance. The best person for this task would be the one who promises the best and most secure management.

I am convinced that leading workers in cooperatives would be the first ones to announce an interest. Thus, the example of modern family farming could be shown at first by those familiar with the application of modern technology. The problem presented by the fact that large plant equipment does not fully satisfy the needs of farmers could be bridged by the fact that as part of leasing conditions large plants would guarantee the performance of certain types of work at a specified price and in a specified manner. In this way it would be possible to farm larger areas and to utilize the available machinery.

Quite naturally machinery could be leased, in addition to land and stables. In this way, the lessee of large tractors and combines could enter into contracts with those who lease the land. With this the problem of handling expensive machinery the way an owner would handle such machinery would be resolved, repair costs would decrease, and the useful life of machines would increase.

None of these matters represent novelties, because large plants and lessees with an entrepreneurial spirit have been experimenting with similar methods for years. Accordingly, no more would have to be done than to provide political encouragement to a spontaneous movement that has begun already.

Banks providing credits could also play an important role in providing encouragement, in part by providing an incentive to large enterprises seeking credit to arrange for profitable leases, because in this way the guarantees backing those credits would increase, and in part by assisting prospective lessees through credit provisions.

Expenses Saved

At this point I would like to clarify a few issues. The falsehood according to which the return on capital in agriculture is slow should be discredited at last. Agriculture can also be competitive with other branches of the economy in this area. There is no need to provide distinct subsidies to small entrepreneurs. This is because small entrepreneurs will immediately produce savings by eliminating the huge administrative costs of large plants, by the increased useful life of machinery, by decreased repair costs, and by discontinuing the waste of materials. Thus the farmers' expense level, even in the case of significant farmer income, would be substantially more favorable than that of large plants which presently compete with them.

I also disagree with the idea that the present interest rates that prevail in agriculture are intolerable. An interest

rate just barely above the inflation rate may be regarded as favorable. Free agricultural prices will keep in step with inflation.

Accordingly, the fact that once agricultural produce prices are free farmers no longer need distinct financial support, must be accepted as a principle. This principle could also be applied to taxation. Financial conditions are not the greatest obstacles to successful farming; lack of appropriate experience is. This is why I feel that it would be important to maintain an organized exchange of information with foreign farmers. Farmers must also play a more important role in the context of international credits.

The other path along which agricultural reform can be accomplished is the development of auxiliary farms. Secondary farms have produced impressive results in certain parts of Hungary. For this reason, incentives should be provided so that the best of these are enabled to maximize the scope of their operations, and they may develop their level of technical preparedness. To accomplish this encouragement is needed, in addition to providing literature and subsidies for the procurement of small machinery. This need presents itself not only in terms of words, but also in the form of financial services.

There Is Enough Money

There is an abundance of money in these successful areas, but it is spent primarily on unproductive procurement or for purposes outside of the entrepreneurial scope. For example, it is characteristic in these areas to find a large number of expensive Western cars, while there are only a few Western small machines. The tax office does not provide benefits to investors, while at the same time it is unable to tax the actual income, unless such income appears in the form of development within the plant.

Large plants should be encouraged to provide auxiliary farms to applicants. Cooperatives which operate at a loss should do this at a low cost, profitable cooperatives at a higher price. This is not merely a political task for cooperatives, it is also a source of income. There are areas with excellent plant culture, where between 10,000 and 20,000 forints could be obtained in the form of leasing fee for a hectare of land. Examples are areas where paprika and onions are grown and produced, but in many areas even potato farms could command such amounts in the form of leasing fees.

Large plants should not only provide land, but should also offer to perform certain types of work; soil cultivation for potato lands, seeds, and fertilization. On the other hand, harvesting with care and sales should be left to the lessees or to their voluntarily established alliances.

Nor is it necessary to invent new processes in terms of small leaseholds. This kind of leasing has been going on already, but quietly rather than with the support of the government. The problem is that in significant areas of the country there is total passivity in this regard.

In summary, agricultural reform that has been postponed for years must be taken out of the large plant lobby's hands, and spontaneous initiatives must not be slowed down, but encouraged instead. Meanwhile, we should be watchful that agricultural reform does not become the prey of short-term election maneuvers.

POLAND

Country Agrees To Deal With Norwegian Shipping Firm

36390122 Oslo *AFTENPOSTEN* in Norwegian
12 Jan 90 p 26

[Unattributed article: "Poland—Yes to Kvarner"]

[Text] All signs point to the fact that the unclarities have been swept away and that Kvarner is headed at full speed into one of Europe's largest shipping companies in Gdynia in Poland.

"The Polish authorities held to their current pledge and gave an answer within the deadline they had set for themselves," said Assistant Information Chief Lasse Storheil of Kvarner. They have, with certain conditions, accepted that Kvarner will be 50-percent owner of the shipyard, while the Polish state will be an equal partner with 50 percent. We have not read completely through the conditions, but enough so that we understand that it is acceptable. Now it is up to us to close the deal.

"Naturally enough, the date is therefore not decided when we shall enter the partnership, says Storheil. When the decision is finally made, leadership for the shipyard will be established consisting of three Poles and three from Kvarner. Thus the concern shall be called Kvarner Gdynia Shipyard. But Erik Tonseth, chief of the business, has earlier made it clear that it must not affect the Polish characteristics or the shipyard's traditions.

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